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32,561

PARIS, MONDAY, NOVEMBER 2, 1987

eagan Aide Sees enate Ratification f Arms Agreement

By Don Oberdorfer Vashington Post Service ASHINGTON - President

ld Reagan's national security er. Frank C. Carlucci, predicta Sunday that the "98 percent" lete U.S.-Soviet treaty banmedium- and shorter-range ar missiles would win Senate ration, but a leading Senate prat warned that legislative ments could kill the treaty.

think it will be ratified," Carlucci said, referring to the nediate-range nuclear forces that Mr. Reagan and Mik-Gorbachev are scheduled to at their Washington summit ing beginning Dec. 7.

caking on the NBC program a The Press," Mr. Carlucci the verification arrangement, h has been a major point of the in the Senate, will be "the intrusive in the history of control and I think the senawill be pleased when they see

at Senator Alan Cranston, morat of California, who said expects to support the treaty, med that conservative Republidd doom the pact by attaching ecceptable reservations or indiments about such matters as hanistan, Jewish emigration or hance with other treaties. # Ronald Reagan can't get this d of modest treaty through the iate, I don't know when any perican president will be able to nniate successfully with the So-

viet Union," Mr. Cranston said. "That could doom us to a very dangerous, escalating, costly arms race, in terms of many, many

hopes to be on Mr. Reagan's side in favor of the treaty, defended the Senate's prerogatives in legislating

"We have a role to play, it ought to be a constructive role," Mr. Dole said. "The Senate is not just to

The senators expressed uncer-tainty whether the United States and the Soviet Union would be able to complete a more sweeping and important treaty slashing strategic.

"I hope they don't rush to judgmed that conservative Republi-s allied with other senators said Mr. Dole. Mr. Cranston said the Senate would have to move swiftly next year on ratifying the medium-range treaty if a strategic arms pact was to be completed.

Assistant Secretary of State Rozanne L. Ridgway, who was inter-viewed on the ABC program "This Week," expressed optimism on the basis of recent U.S.-Soviet discus-

leltsin Affair Proves Jelicate for Gorbachev

By Philip Taubman
New York Times Service OSCOW - On Saturday eve-

ort from the news agency Tass. Roris N. Yeltsin, head or the scow party organization and a profing member of the Polithutha Tass account that was censored, the Tass account that was censored, the Tass account that was censored. Lukyanov, said at a news conference of the Polithus and the Soviet press. Account the Tass account that was conference of the Polithus and the Soviet press. Account the Tass account that was conference of the Polithus and the Soviet press. Account the Tass account that was censored.

hish" the information.

The abrupt turnabout was an ination of the sensitivity and volaas in the Kremlin.

Mr. Yeltsin stunned the party dership Oct. 21 at a Central numittee meeting by complaing about what he saw as the slow

Kiosk

91 Dissidents KUALA LUMPUR, Malay-ia (UPI) — Three more perbreat to national security, singing to 91 the total number is political and social dissidents pprehended in a government ackdown to ease racial ten-

Malaysia Holds

One of the three arrested was lunad Sebi Abu Bakar, manging director of a television ion owned by the dominant dalay political party. The other o were social workers.



dovement of U.S. peronnel at Clark Air Base vill be restricted after turders of three Amerians last week. Page 3.

ENERAL NEWS

In Colombia, uncontrolled vience is breeding a deep sense helplessness. Page 5. helplessness. PORTS

Eric Dickerson, the top NFL uner, made his debut as a It as Indianapolis defeated New York Jets. Page 19.

Special Today

be Dutch are grappling with resses of a complex social faband strains of an economy luggling to regain its balance. special report, pages 7-12.

The Senate Republican leader, Bob Dole of Kansas, who said he

rubber stamp treaties. We are supposed to go through the process, have the hearings, improve them where we can, and we're going to be an active participant in that."

or long range, weapons by 50 per-cent in the near future. A joint statement Friday pledged Mr. Rea-gan and Mr. Gorbachev to work toward the signing of such a treaty in Moscow in the first half of 1988.

See ARMS, Page 4

pace of change and questioning Mr. Gorbachev's leadership, Soviet officials say. Mr. Yeltsin's actions were reg. Soviet newspapers received a ported in Western newspapers last week but have yet to be mentioned

neteen minutes later, Tass ad- ence Saturday that Mr. Yeltsin had ed Soviet editors that it was threatened to resign.

underneath the talk of openness and unfettered political discourse there are still stringent limits on iy of an affair that has posed a licate political problem for Mikil S. Gorbachev and given the taide world a rare glimpse of friction openness: one for Western con-

sumption, and a more restrictive one within the Soviet Union. The most pressing concern for Mr. Gorbachev is how to resolve the affair without giving encouragement to opponents and without

The affair has demonstrated that

appearing to tolerate insubordination. Soviet officials said. Mr. Yeltsin, until his outburst, was considered one of Mr. Gorba-

chev's firmest supporters and a leading advocate of the changes the Soviet leader has introduced. There are differing accounts of what Mr. Yeltsin said, but all agree

that he complained that the pace of change was too slow and that he could no longer work in conditions that frustrated the urgent need to reshape society.

In a dramatic appearance that startled the committee and angered many members, officials said, Mr. Yeltsin also complained that Mr. Gorbachev was permitting a cult of personality to develop around him. There are few more politically explosive allegations in the Soviet

Union because of the association with Stalin. If Mr. Gorbachev accepts Mr. Yeltsin's resignation, he will be re-moving from the important Moscow party organization a leader who came to personify efforts to revitalize party and government.

Mr. Yeltsin's removal would be a victory for Mr. Gorbachev's opponents and might be taken as a sig-nal that Mr. Gorbachev's allies can be driven from power.

The alternative, arranging for Mr. Yeltsin to keep his job, would mean condoning actions that apparently exceeded acceptable limits

of dissent and spontancity.
In confirming Western news reports about Mr. Yeltsin's behavior. Mr. Lukyanov, a Central Committee secretary, said Saturday that the Moscow party chief had made "erroneous assessments" and "political mistakes."

In recent months, Soviet officials have often reported that Central Committee meetings, in a sign of the changing times, were now characterized by vigorous debate and that no one was penalized for questioning Mr. Gorbachev.

Noting the tendency in previous years to report that all decisions were unanimous, Abel G. Aganbegyan, Mr. Gorbachev's top economic adviser, wryly said after a committee meeting in June, "The only place there is unanimity is a

Mr. Lukyanov's remarks suggested, however, that Mr. Yeltsin had crossed the line of acceptable

In July, Mr. Gorbachev staked See SOVIET, Page 4

Deng Xiaoping, left, and Zhao Ziyang voting at the close of the Chinese Communist Party congress in Beijing on Sunday.

Budget Talks Stock Fall Convinces U.S., Partners Turn to Cut In Benefits By Peter Kilborn

By Tom Kenworthy

Washington Past Service
WASHINGTON — Congressional leaders and Reagan administra-tion officials who are negotiating a budget compromise are discussing a proposal to limit cost-of-living increases on federal benefit programs, including Social Security, and to increase revenues by limiting the indexing of federal income taxes, according to sources familiar

with the talks.

One official said the proposal, dubbed the "2-percent solution," would eliminate the first 2 percent on cost-of-living allowances on retirement and veterans' benefits that normally accrue because of inflation, and exempt from indexing the first 2 percent of individuals in-

come gains.
It is unclear how much of an impact on the deficit such a proposal would have, but it would be substantial, particularly after the

Other officials said the proposal only part of a broad examina of alternatives that could lead to at least a \$23 billion reduction in the deficit this year and additional savmes next year.

"It's not at the point where it's secious," that official said. "It's one of many things that are are being discussed and is no closer to fulfillment than anything else."

Any plan that would reduce costof-living allotments to Social Security recipients and civilian and military federal retirees is likely to encounter significant opposition. particularly among House Democrats who are already frustrated by what they see as the Reagan admin-istration's continued inflexibility on raising taxes.

Sources said that the administration negotiators have been willing to offer higher revenues only in the range of those offered in the president's own budget, or about \$6 billion. The negotiators include Treasury Secretary James A. Baker 3d: the White House chief of staff, Howard H. Baker Jr., and the bud-

get chief, James C. Miller 3d. Until the administration is pre-pared to discuss taxes close to the \$12 billion already approved by the House and a Senate committee, one source indicated, congressional Democrats are unlikely to bend on reductions in entitlement programs such as retiree benefits.

In addition, any proposal including reductions in Social Security cost-of-living increases runs counter to the ground rules set for the talks by Mr. Reagan.

In agreeing to meet with congres-sional leaders following the stock market collapse, the president said be was willing to put everything on the table except Social Security. Some congressional negotiators

are pushing for another meeting with Mr. Reagan early this week in the hope that a face-to-face encounter would make the adminis-See BUDGET, Page 4

Pickens a Loser In Market Crash

WASHINGTON -T. Boone Pickens, a self-proclaimed "big winner" of the stock market crisis, said Sunday that he was not a big winner after all.

In an interview, he said he

lost 25 percent of his net worth in the 508-point market collapse on Oct. 19, while Ivanhoe Partners, an investment group he heads, lost \$200 million. The day after the collapse, Mr. Pickens had said that he had been out of the market "for some time personally." On Sun-day, he admitted, "Personally I

lost about \$28-\$30 million."

That Dollar Stability Was No Solution

New York Times Service

WASHINGTON - The United States and other leading nations have concluded that the importance they placed on keeping the dollar stable was excessive and probably a mistake, according to many officials of the countries.

The stock market crisis has demonstrated the failings of the policy, those officials say. Contrary to their expectations, dollar stability has done next to nothing to help rid the countries of substantial distortions in the world economy.

The experience has persuaded those nations' top economic offi-cials to pay less attention to their currencies for now. Instead, they say they want to cooperate in dealing directly with the failings in each economy that hurt the others. If they can manage that, they say, their currencies should largely take care of themselves.

Alan Greenspan, the chairman

MONDAY O&A

Henry Kaufman, of the

largest U.S. investment

banking firm, sees the dollar stabilizing around 1.60 to 1.70 Deutsche

Major Events

For Markets

Coming Up

By David A. Vise

on the maneuvering between Con-

gress and the White House over

short-term role in whether stocks

On Tuesday, the Federal Re-

serve Board's Open Market Com-

cutting its key discount rate.

sury Department will begin its quar-

terly refinancing of part of the feder-

al debt. It plans to auction \$9.75

billion in three-year notes on Tues-

day, \$9.25 billion in 10-year notes

on Wednesday and \$4.75 billion in

On Wednesday, the auto indus-

try will report how many cars were

sold in the 10-day period that in-cludes Oct. 19, when the market

took its record fall. (See page 13.)

30-year bonds on Thursday.

move up or down.

signs of cooperation.

trimming the U.S. budget delicit.

Page 15.

shares this view, unlike his prede-cessor, Paul A. Volcker, according to economists who know both men well. Treasury Secretary James A. Baker 3d, an author of the stabledollar policy, appears to be moving

An economic official at the West German Embassy in Washington said that the key word now in cur-rency arrangements is "flexibility." Even the French, the staunchest advocates of currency stabilization arrangements, see little use for

them at present outside Europe. A search for new policies is well under way, mostly over telephone lines linking the nations' capitals.

This search may conclude in an agreement on commitments that would be made at a meeting. A time has not yet been designated, but a meeting possibly could be held as soon as the end of this week. according to officials interviewed in Washington and abroad.

The participants would be the the Federal Reserve Board, finance ministers and central bank-

West Germany. France, Britain, Italy and Canada, an informal association known as the Group of Seventh.

As well as Mr. Deng, three other veterans of the legendary 1934-35 Long March across China — Chen

Officials of the countries, all of whom spoke anonymously, said that any effective agreement would hinge on the bipartisan talks between Congress and the White House on reducing the federal budget deficit, the cause most often cited by other countries for the turmoil in the markets.

An accord also would hinge on whether Mr. Baker and Mr. Greenspan decide they have something persuasive to offer other countries

in bargaining for policy changes.

A meaningful accord would depend as well on West Germany, which economists say has done less than any other country to alter do-mestic policies that inhibit growth in other countries. West Germany has reduced in-

terest r, as slightly in recent days S.: DOLLAR, Page 4

Rift on Growth Policy **Grows in West Germany**

By Ferdinand Protzman International Herald Tribune
FRANKFURT — A split ap-

pears to have developed among West German economic officials on the need for a more expansive monetary policy to cope with dis-ruption in financial markets and to placate international demands for quick action to relieve global trade

That apparent rift was underscored Sunday, when Economics Minister Martin Bangemann rejected the need for expansionary measures. He said he still expected the nation's economy to grow between 2 and 2.5 percent in 1988. despite the market turmoil.

Leading industrialized nations. most notably the United States, have long argued that Bonn should act as a motor for world economic growth by taking steps to stimulate consumer spending. Finance Minister Gerhard Stol-

tenberg has bowed to the pressure, saying last week that West Germany was reconsidering its policy on interest rates. His statement came Wednesday, when the falling dollar drove the Frankfurt stock market's leading index down by 5.6 percent. Mr. Stoltenberg, a member of Chancellor Helmut Kohl's Chris-Washington Post Service
WASHINGTON — For most of

tian Democratic Party, reiterated that view Friday, saying that the government "will be forced to the world, the focus this week will be study the possibility of changing some of its monetary policy." "Our policy direction is essen-tially correct," Mr. Stoltenberg But for international markets, other events could play as major a said, "Of course, we will have to

examine whether individual accents in monetary policy, for exam-ple, should be altered." • The Federal Reserve Board chairman. Alan Greenspan, is ex-Mr. Bangemann, however, said pected to meet Monday with Karl Ono Põhl, the Bundesbank presiin a radio interview on Sunday that the West German authorities were dent Given the U.S.-West German unable to lower interest rates any dispute over monetary policy, inves-tors will be watching closely for further. He reiterated his belief that tax cuts scheduled to take effect in 1988 and 1990 would be sufficient

to spur continued moderate eco-

nomic growth. He said he saw no

mittee will meet to discuss monetary need to advance the tax cuts. policy. In recent days the Fed's fo-But West Germany's five leading cus on holding interest rates down by infusing cash into the banking system has helped stock prices reeconomic research institutes will urge again Monday in their autumn report that the tax reform package cover. Analysts speculate that the Fed may add to this momentum by scheduled for 1990 be implemented as soon as possible, according to an article in the newspaper Die Welt. · Also on Tuesday, the U.S. Trea-

Mr. Bangemann, who heads the liberal Free Democratic Party, the junior party in the ruling coalition, blamed the United States for the recent disorder in foreign exchange markets, citing its fluctuating monetary policy.

"It's not for them to be giving advice," he added. Karl Otto Pohl, the president of the Bundesbank, West Germany's central bank, also is against lowering interest rates as an attempt to

spur short-term economic growth.

Mr. Pohl has said that budgetary measures such as cutting taxes are the best way to increase domestic purchasing power and make it easier for businesses to raise capital

The Bundesbank operates without any direct control from the gov-ernment, and Mr. Pohl has been unafraid to assert his indepen-But opinion appears to be split

among the Bundesbank's central bank council, whose 17-members set the central bank's monetary po-licy. One member, Wilhelm Noll-ing, is openly advocating "a prompt cut in the interest levels."

There is unity among West Ger-many's economic and financial leaders on placing the blame for the recent economic turmoil on the U.S. budget and trade deficits.

Oust Veterans From Party's Leadership Washington Post Service BELIING — Deng Xiaoping and

Deng, Allies

By Daniel Southerland

his allies swept aging veterans off the Central Committee of the Chinese Communist Party and into retirement on Sunday, setting the stage for younger leaders to assume control of the country into the next

The election of a new Central Committee sent nine out of 20 members of the ruling Polithuro into retirement, or semiretirement, with Mr. Deng among those mak-

with Mr. Deng among those making their exodus.

Mr. Deng, 83, relinquished his top leadership posts in the Politburo and its powerful standing committee. But his prestige, experience, and network of allies throughout the oarty, army and government. were expected to guarantee him a continuing role as the country's

Yun, 82, an economist; Peng Zhen, 85, National People's Congress chairman; and President Li Xiannian, 81 — were dropped from the Central Committee.
Diplomats and Chinese officials

said Mr. Deng was expected to con-tinue to serve as chairman of the party's military affairs commission, which controls the army.

A revision of the party constitution, approved Sunday, permits Mr. Deng to head the military even though he leaves the central com-

An eight-day party congress end-ed Sunday with the election of a new and younger 175-member Central Committee. Its members for the first time include few of the men in their 80s who have dominated the party for more than five

The committee is an assembly of the party's most powerful men, a kind of party parliament. As the first modern Chinese leader to yield his highest party positions voluntarily, Mr. Deng set

in motion a chain of retirements and rejuvenation. He sat impassively in the front row on the rostrum, next to Prime Minister Zhao Ziyang, as Mr. Zhao presided over the final moments of

the congress and conducted formal votes on party reports. Mr. Dong raised his hand in approval with the others, betraying no emotion as he ended an era that began when he joined the Communist Party in 1924, more than 50

years ago.
Mr. Deng went beyond anything previously attempted in China or the Soviet Union. In both Communist countries, where democratic and institutionalized channels to the top leadership are absent, it has, until now, been either death, purges or palace coups that brought transitions of power.

In the Soviet Union in the early 1960s, under Nikita S. Khrushchev, more than 40 per cent of the Soviet Central Committee members was

er able to remove as many top leaders as Mr. Deng and his allies did through the party congress votes.

These and a number of other elderly committee members were said to have long resisted retirement. Some were said to have fought to hold on to their positions

even up until the party congress.

Diplomats predicted that Mr.

Chen would be rewarded with the chairmanship of the party's central See CHINA, Page 4

French Press Says Left Sold Arms to Iran

By Sreven Greenhouse

New York Times Service
PARIS — France now has its own Iran arms scandal with defense department officials charging that a defense minister in the former Socialist government approved sales of 450,000 artillery shells to Iran in violation of French law.

Articles in two major French newsweeklies this week also charged that President François Mitterrand was informed about the sales and that some of the money from the sales was diverted to Socialist Party coffers. The articles

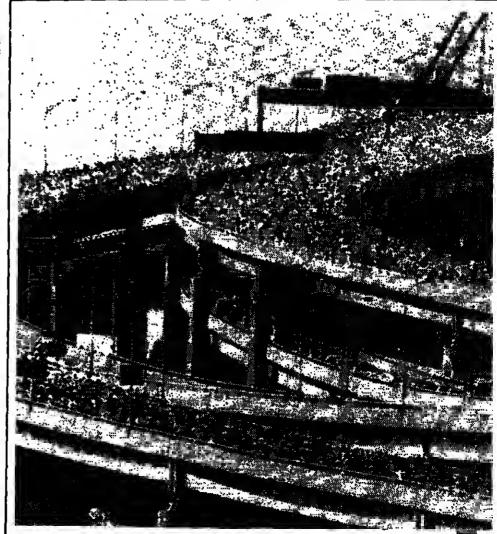
Japan has refused to go along with American sanctions against Tehran. Page 4.

said that about \$120 million worth of arms were shipped in violation of a self-imposed French embargo. Socialist Party officials contend that the current right-center ruling coalition leaked the accusations, contained in a confidential army report, to smear the Socialists as

the presidential campaign heats up. "Do I look like someone who would sell weapons to Iran?" said Charles Hernu, the former defense minister. "These scandals are going to be numerous before the presidential elections

The sales to Iran, which took place from 1983 to 1986, came to light in February 1986. At the time, Socialist officials were not tied to the sales. They were disclosed by a small newspaper based in Cher-bourg. La Presse de la Manche, which wrote that in 1985 two ships registered in the Bahamas carried more than 140,000 155-millimeter and 203-millimeter shells that were supposedly destined for Portugal, Brazil, Thailand and Pakistan, Instead, they were shipped to Bandar

Abbas in Iran. The Socialist defense minister who succeeded Mr. Herou, Paul Quilès, launched an investigation that has focused on the Luchaire Company, an arms-maker that said See GULF, Page 4



New York Marathon Attracts a Record 22,000

Some of the record 22,000 runners in the 18th New York City Marathon on Sunday crossing the Verrazano-Narrows Bridge. Ibrahim Hussein, 29, of Kenya won in 2 hours, 11 minutes, 1 second. Priscilla Welch, 42, of Britain took the women's title in 2 hours, 30 minutes, 16 seconds. Page 19.

Indian Military Establishment Rocked by Losses in Sri Lanka

By Steven R. Weisman

New York Times Service
NEW DELHI — Indian Army losses to Tamil rebels in Sri Lanka this month have shaken the Indian military establishment and raised questions among many experts about the quality of New Delhi's military intelligence and planning. More than 200 Indian troops

have been killed and more than 700 wounded in lighting in Sri Lanka since Oct. 10, when Indian troops moved to disarm Tamil guerrillas at their stronghold in the corthern city of Jassina. The Indian losses were the largest since the war with

The Jaffna operation was proclaimed a success when Jaffoa was captured by Indian troops last week. But Indian officials also exmajor guerrilla leaders escaped.

India sent troops to Sri Lanka to guarantee a peace accord signed by Prime Minister Rajiv Gandhi of India and President Junius R. Jayawardene of Sir Lanka on July 29. Under it, Tamil separatists were to give up their arms in return for iocreased autocomy to largely

Tamil areas in the north and east. For years India had been sympathetic to the Tamil cause, allowing guerrillas to use Indian territory for training and political operations. But when the rebels — who accuse the majority Sinhalese of discriminating against them — refused to accept the accord to end the ethnic conflict, the Iodians eventually turned against them.

Many military analysts also say India misjudged the conflict, using a conventional force of 20,000 to 30,000 meo agaiost guerrillas skilled at hit-and-run tactics. They said India also underestimated the effect of mines and other explosives planted on roads. Scores of soldiers died in such blasts.

A senior Indian official said in an interview that "there has been some inadequacy" in intelligence, particularly regarding the activities and whereabouts of the leaders of the Liberation Tigers of Tamil Eelam, the separatist guerrilla group defending Jaffna.

He also acknowledged that the Indian Army had been unprepared to wage a major guerrilla war, since Indian forces went to Sri Lanka thinking that they would only keep the peace and receive weapons voluntarily surrendered.

"The timing of this operation was not up to us," the official said, "It would have been better to choose the operation, obtain intelligence and choose the best timing. Here was something just thrust on

But the Indian official and others defended the performance of

Babbit Escapes in Car Crash The Associated Press

PHOENIX, Arizona — A Democratic presidential hopeful, former Governor Bruce Babbitt, and his son escaped serious injury but their car was destroyed Saturday when another automobile hit theirs from behind, pushing it into a car



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PACIFIC WESTERN UNIVERSIT 600 N. Sepulveda Bivd., Las Angeles, California 90049, Dept. 23, U.S.A

bombardments and to move slowly to avoid civilian casualties. Indians recalled that civilian casualties in earlier operations by the Sri Lar-kan Army enraged Tamil civilians brain has to he on the ground and not in the clouds." and drove them to sympathize with

could have done better," the official said. "Only a highly disciplined army could have taken these casualties and still occupied Jaffna with tries that have fought wars with a minimum loss of life to civilians." India and with which border ten-The question of civilian casual-

ties remains a matter of dispute, with India saying the losses were slight and some Tamil spokesmen in Sri Lanka asserting that hundreds of civilians died. India says pressed disappointment that the 600 guerrillas were killed, but the guerrillas insist that most of these were civilians.

Criticism has come from military and diplomatic analysts in Sri Lanka, particularly in the Sri Lankan Army. The Sri Lankans, however, Army. The Sri Lankans, however, denied the report, saying he had admit to some resentment when the Indian Army came into their country projecting the attitude that it could succeed with the Tamils where others had failed.

These people made the same

Indian troops overall, asserting mistakes that we made in the beginthat the major reason for the heavy losses was a decision to avoid aerial "They never learned the psyche of the terrorist. This is a battle that has to be fought on your belly, literally and in other ways. Your

A Western diplomat said the Inthe guerrillas.

"No other army in the world have repercussions for New Delhi. You can be sure that Pakistan and

Despite the heavy Indian losses, there has been oo popular outcry in India for a troop withdrawal. But indications are that inside the military establishment, some blame is being apportioned.

Several Indian news organiza-

tions have reported that Major General Harkirat Singh, the com-mander in the Jaffna peninsula, was replaced. Indian spokesmen 'consultations' in New Delhi.

Military analysts here say the main failure was that of the Research and Analysis Wing, India's

physical attack since he declared officially on Wednesday that he

would run for president against a

About 100 people calling on Kim

rity guards. Mr. Kim, who was not

The candidates have begun hold-

hurt, requested police protection.

ing rallies in key cities as they pre-

pare for the election, scheduled for

mid-December, Roh Tae Woo, the

roling party candidate, has been attacked three times in receot

weeks; with eggs, tear-gas gre-nades, and gasoline bombs.

needed to demonstrate that his

support was not limited to his

Despite cool weather and over-

hundreds of thousands of fervent

hotel Sunday evening was an un-

pleasant reminder of the regional

rivalries that have often influenced

politics here — and of the bitter rivalry between the two Kims.



BANZAI! BANZAI! BANZAI! - Noboro Takeshita, at podium, flanked by Shintaro Abe, with glasses, and Prime Minister Yasuhiro Nakasone. Mr. Takeshita took over from Mr. Nakasone on Saturday as president of the ruling Liberal Democratic Party. Mr. Takeshita is virtually certain to be elected prime minister of Japan on Nov. 6.

Kim Dae Jung Tests His Rival's Home Turf dents. They said they had urged ately cut off from the benefits of In the absence of opinion polls their backers to refrain from vio-

By Susan Chira New York Times Service PUSAN, South Korea — Kim Dae Jung ventured onto his chief rival's turf Sunday and drew enthusiastic crowds, showing that he could be a political force even in alien territory as he campaigns in South Korea's first direct presidential election in 16 years. Mr. Kim also faced his first

fellow oppositioo figure, Kim Young Sam, his long-time rival. Danzim, a Tibetan Communist Party official, insist-Dae Jung to withdraw from the ed that Lhasa was quiet and race tried to break into his hotel, open to foreign travelers. smashing windows and hurting some of Mr. Kim's aides and secu-

Tibetan Officials Blame Dalai Lama For Lhasa Rioting

Washington Post Service BELIING — Senior officials from Tibet say that the Chinese government has "definite evi-dence" that the Dalai Lama, the exiled Tibetan Buddhist leader, and his followers were behind the anti-Chinese rioting in Lhasa, the southwestern province of Cholla, Tibetan capital, a month ago.

At a news conference here, the Tibetans denied reports of widespread arrests in Lhasa and declared that the city was quiet and

open to foreign visitors. The Communist Party secretary of Lhasa, Goigya, said six persons were killed in the Oct. I not and that only about 100 persons were actively involved. According to reports at the time, hundreds of per-sons were involved in the rioting.

The deputy Communist Party secretary of Tibet, Danzim, said, We have definite evidence that the unrest was caused as a result of the instigating and plotting of the Da-lai Lama clique." The Dalai Lama has stated that the demonstrators may have been encouraged by a visit he made to the United States in September. But he has not acknowledged any direct link with Sam said they did oot know wheth-

the protesters, who are seeking in-

lependence from China.

Dae Jung rally were also defaced. In Scoul. aides to Kim Young

Earlier in the day, several hun-dred Kim Young Sam supporters tried to enter the rally grounds, and when they were barred, they held their own rally ocarby. Later, some marched in the rain through Pusan, shouting Kim Young Sam's oame. Many posters advertising the Kim

er their supporters were responsi-

By Walter Sullivan

The rivalry between the eastern

province of Kyongsang, which in-cludes Pusan, and the western one

exacerbate this bitter conflict.

— as an underdog persecuted by the government and as a champion

of the poor and underprivileged -

stems from his roots in Cholla.

Many South Koreans have tradi-

tionally looked down on people from Cholla as backward, poorly

Cholla Province itself has lagged

Many critics of the government

behind the rest of the country in

educated and crude.

ecocomic development.

Pusan, the nation's second-largest city, is Kim Young Sam's political base and the site of his most successful campaign rall; to date, Kim Dae Jung, who is from the NEW YORK - The suggestion that an explosion played a critical role in the sinking of the Titanie 75 Dr. Robert Ballard, leader of the cast skies, Kim Dae Jung drew expeditioo that found the wreckage of the giant ocean liner in 1985. supporters. But the attack on his

> But Dr. Ballard said this theory was incompatible with the action for the Woods Hole Oceano-counts of witnesses, which he as-graphic Institution in Massachuserted left oo doubt that a collisioo setts, inspected the wreck last year, with an iceberg was to blame. Sur-he reported that many of the rivet-vivors described ice scattered on ed hull plates had been sprung the deck of the Titanic and pro- open, apparently by the collision truding through a small hole in her with the iceberg. This flooded

Province and have helped their constituents accordingly. Kim Dae Jung urged the crowd not to let regional rivalries poison

the Korean economic miracle, part-ly because most postwar Korean leaders have come from Kyongsang draw the largest crowds. On that

of Cholla runs deep in South Korean history, and many fear that the race between the two Kims will "We must bring a complete end Korea's provincial differences," Part of Kim Dae Jung's appeal

he said. "This is as important as bringing an end to the military dic-tatorship. People, when you vote, decide not hy someone's province of origin but judge whether he has the occessary requirements," He avoided criticizing Kim

Young Sam, holding to a strategy both have adopted of attacking the government and Mr. Roh instead. "Kim Young Sam and I are the only two legitimate candidates," he said. "If possible, vote for me. But charge that Cholla, long an opposi-tion stronghold, has been deliberif a husband and a wife are undecided, each one vote for one of us."

Titanic Discoverer Doubts That Explosion Sank Liner

New York Times Service

years ago is incompatible with accounts by survivors, according to

television program, hroadcast last week, on which items from the Titanic were displayed. Officials of the expedition that retrieved the items suggested that the explosion could have originated from a smol-

dering fire in the ship's coal supply.

feet wide, must have been formed later, he said. Survivors also described a fearsome roaring as the ship tilted ver-tically. Presumably, heavy machin-ery in the hold broke loose. Dr. Bailard suggested that some of this

could have punched the hole at that time, or when the bow hit bottom. The Titanic, oo her maiden voyage from England to New York,

killing more than 1,500. The two-hour television show on Wednesday, "Return to the Titanic Live," was shown on television stations throughout the Uoited

When Dr. Ballard, oo an expedier their supporters were responsi-ble for the attack or other inci-television show, described as 30 causing the liner to sink.

recent appearance in Pusan. But what Kim Dae Jung's crowd lacked in size, it made up for in enthusi-After Mr. Kim's hourloog speech, supporters had to he held back by bodyguards, who were oearly trampled as the crowd clawed its way to his van.

score, Kim Young Sam clearly

drew far larger crowds during his

Prime Minister Resigns in Syria.

Gets Security Post

DAMASCUS - President Hafez al-Assad has accepted the resig-nation of Prime Minister Abdul Raouf al-Kasm, who has headed the Syrian government for almost eight years, a presidential spokes-

Mr. Assad had asked Mahmoud Zubi, the parliamentary speaker, to form a new government, the spokesman said Saturday. Mr. Kasm was the longest-serving prime minister in recent Syrian his-

The spokesman said Mr. Assad had appointed Mr. Kasm head of the National Security Bureau, a liaisoo between the leadership of the ruling Ba'ath Party and Syrian se-The suggestion was made on a sank off Newfoundland in the curity services. Mr. Kasm will redevision program, broadcast last North Atlantic on April 14, 1912, port directly to Mr. Assad, who is the party secretary-general.

Mr. Kasm resigned after Parliament forced four ministers accused of mismanagement out of office. The 195-member Parliament passed no-coofidence motioos against the ministers of agriculture and building projects in June. Last mooth, it took similar actioo against the ministers of industry and supply and internal trade.

Mr. Assad appointed Mr. Kasm to head the government in January 1980 to tackle the country's ecocomic problems.

WORLD BRIEFS

150 Are Hurt in Bangladesh Protests.

DHAKA, Bangladesh (AP) — More than 150 people nationwide were injured Sunday in clashes with police as opposition forces held demonstrations at government headquarters, police and opposition sources said.

Sources said clashes erupted between opposition groups and police and between rival parties at several district headquarters. The demonstrations were part of an opposition campaign to bring down the government of President Hussain Mohammed Ershad.

Among the injured was a deputy commerce minister, Abdul Gaffar, who was beaten and whose car was destroyed in an attack by an opposition group, said a district official who declined to be identified. He said a member of Parliament traveling with Mr. Gaffar suffered minor injuries in the attack.

French Find Arms on Irish-Run Ship

BREST, France (Reuters) - French customs uncovered a 150-ton arms and explosives cache aboard a ship crewed by five Irishmen

Customs sources said that the cargo appeared to he destined for Northern Ireland, where guerrillas of the Irish Republican Army are fighting British rule. The five crewmen were detained in Brest on

Saturday.

The Budget Ministry, responsible for customs operations, said the 130foot (40-meter) Panamanian-registered coaster Eksund was boarded Friday when it entered French territorial waters.

Resumed 7th Chess Game Is Drawn 🚜

SEVILLE, Spain (Reuters) — The closely contested seventh game of the world chess championship between the titleholder, Garri Kasparov, and his challenger, Anatoli Karpov, ended Saturday in a draw.

GAME 7
GRUNFELD DEFENS

White Black White Black White Black Karpov Kasparov Kasparov Kasparov Kasparov Kasparov 1. d4 Nf6 28. Rb2 cd 55. Rc4 e5 2. c4 26 29. cd Qg4 56. Rg4 Be7 3. Nc3 35 30. Qf7 Rxd4 57. Rg7 c4+ 4. cd Nxd5 31. Bxd4 Qxd5 59. Ke2 Bc5+ 5. c4 Nxc3 32. Rf2 Qxe5 59. Ke2 Bd4 6. bxc3 Bg7 33.Rf5 Qe1+ 60. Rg5+ Kc4 7. Bc4 c5 34. Rf1 Qe5 61. Rf5 Kc3 8. Ne2 Nc6 35. Kh1 b6 62. Rh5 Kc4 9. Bc3 0-0 36. Qf4 Qh5 63. Rf5 Kc2 10. 0-0 Bg4 37. Qf5 Qe2 64. Rp5 Kc3 11. f3 Na5 38. Rc1 Bf6 65. Rh5 Bf6	GRUNFELD DEFENSE									
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For the Record

The police in Santiago, Chile, detained about 200 dissidents who participated in a street campaign asking for an open presidential election, press reports and witnesses said Saturday.

(AP)

Two persons were killed and 70 injured Sunday in Pakistan's Sind Province during clashes between police and supporters of the ethnic Muhajir movement. The police said 400 people were detained. (AP)

TRAVEL UPDATE

Strikes in Italy Halt Dozens of Flights

ROME (Reuters) — Dozens of flights were canceled Sunday at Italian airports because of strikes by ground staff, and further stoppages were planned Monday. Officials said that 56 flights, 14 of them international, were canceled by Alitalia and that 69 flights, including 24 international, would be dropped Monday unless agreement was reached on a contract. The strikes were among "official" stoppages announced in advance by

ground staff. An attempt by the government to ban wildcat strikes, which aggravated official stoppages, failed last week because of divisions in the governing coalition. More official strikes are planned for Nov. 18.

The Mexican government took control of Mexicana airline on Sunday to prevent a strike by pilots, an airline spokesman said. The law the government invoked to take over the airline empowered it to extra Mexicana's 976 pilots back to work, he said.

(Reuters)

This Week's Holidays

Banking hours and government services will be closed or curtailed in the following countries and their dependencies this week because of national and religious holidays:

MONDAY: Anstralia, Belgium, Bolivia, Brazil, Central African Republic, Colombia, Ecuador, El Salvador, France, Cuatemala, Haiti, Luxembourg, Macao, Mexico, Monaco, Philippines, San Marino, Uruguay, Vatican City. TUESDAY: Bahrain, Ecuador, Egypt, Iran, Iraq, Jordan, Japan, Kuwait,

WEDNESDAY: Andorra, Cyprus, Indonesia, Malaysia, Panama, Varican City. THURSDAY: Burma, El Salvador, Liberia, Pakistan, Sri Lanka, FRIDAY: Morocco.

SATURDAY: Bangladesh, Bulgaria, Hungary, Mongolia, Soviet Union.

SUNDAY; Nepal.

Source: Morgan Guaranty Trust Co, Reuters.

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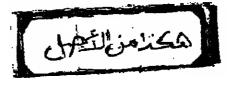


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DEFENSE

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UPDATE

Dozens of Flight

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Buddhists to Serve As Military Chaplains

The U.S. Defense Depart-ment has decided to permit Buddhist chaplains to serve in the armed forces, the first such recognition for a religious group outside Christianity or Judaism.

The step is "a tremendous breakthrough," said Bishop Sei-gen H. Yamaoka at the San Francisco headquarters of the predominantly Japanese-American Buddhist Churches of America.

The Pentagon says about 2,500 Buddhists of various sects and ethnic backgrounds are in military service.

One of the astronauts who died in the 1986 explosion of the space shuttle Challenger was Colonel Ellison S. Onizuka of the air force, a Buddhist. The funcial services after his death made more people aware of Americans of Buddhism, Bishop Yamaoka told the Los Ange-les Times.

The Buddhist Churches of America, 88 years old, have 150,000 adherents and 63 temples in the United States. The total number of U.S. Buddhists is unknown. But the chaplains certified by the Boddhist Churches of America, like chaplains of any religious denomination, would serve Bud-dhists of other traditions as well as military personnel of any

Short Takes

Lawrence Spivak, creator and for 28 years the moderator of the pioneering interview program "Meet the Press" said at the 40th anniversary party in Washington for television's wasnington for television's longest-running show, "When we started, we had just one guest on for the 30 minutes." Today, the program, like other talk shows, has several guests. "Our general feeling," said Mr. Spivak, 87, "was if the guest wasn't worth that amount of time he meet't reach entities. time, he wasn't worth anything at all. I think one problem with television is that people think everything can be done in one minute, two minutes or three minutes. I don't think it can."

Hallmark Cards has ceased making a "Transylvania University" T-shirt with the slogans "We Go For The Throat!" and "E Pluribus Bitum!" and a picture of a bat with the words "Our Founder" at the request of the real Transylvania University, & 207-year-old liberal

arts college in Lenington, Ken-tucky. "We have spologized," said Diane Wall, a Hallmark spokeswoman. The T-shirt referred to the legendary home of the vampire Count Dracula. "We absolutely had no idea that there was a Transylvania University," Miss Wall said.

AMERICAN TOPICS

Shorter Takes: Three volunteer firefighters were killed in an abandoned farmhouse set affame in a training exercise in Milford, Michigan. Witnesses said a floor apparently collapsed, trapping the men. • Agents of the Federal Bureau of Investigation, while hunting Franklin Lynch, 32, an ex-convict wanted on charges of mur-der and assault, arrested him on Sunset Boulevard in Hollywood when he jaywalked in front of their car.

Notes About People

The 200,000-member Navajo Nation has announced a joint venture with Oleg Cassini, the stage and dress designer, to build a luxury resort on the Navajo reservation, which covers 16 million acres (6.4 million hectares) of Arizona, New Mexico and Utah. Mr. Cassini, 74, a former husband of the actress Gene Tierney, was Jacqueline Kennedy's official dress design-er when her husband was in the White House. Peter MacDonald, chairman of the Navajos, said Mr. Cassini's "study of Native American history drew him to the Navajo 30 years ago."

U.S. Supreme Court justices work long hours, according to Justice Sandra Day O'Connor. She said in a University of Denver speech that she arrives at the court building at 7:30 A.M. and stays until 7:30 P.M. "When I go home, I usually take some reading material home with me," Mrs. O'Connor said.

Representative Morris K. Udall, Democrat of Arizona, in a forthcoming book, "Too Funny to Be President," quotes several witticisms of Henry A. Klssinger, the former secretary of state. After a diplomatic meet-ing: "Golda Meir and I agree on everything, including the fact that we don't see eye to eye." On the Watergate scan-dal: "The illegal we do immediately. The uncoostitutional takes a little longer." On the perquisites of fame: "Now when I bore people at a cocktail party, they think it's their

-ARTHUR HIGBEE



Aquino Attends Service for Slain GI As Restrictions on Americans Widen

By Seth Mydans

New York Times Service
MANILA — President Corazon C. Aquino flew to Clark Air Base Americans as Americans in the Philippines faced heightened secu-

The commander at Clark, 50 miles (80 kilometers) north of Manila, told troops that they were in for "a long haul" with oew restrictions on their movements.

The U.S. Embassy on Saturday warned U.S. citizens to avoid the Ermita night-life district in Manila because of fears of new attacks. The three Americans and a Fili-

pino were ganned down within 15 minutes Wednesday in four widely separated locations in Angeles City, just outside the base. Police said they had arrested four men who admitted to being Communist guerrillas but denied involvement in the killings.

Speaking on the armed forces television network, Major General Donald Snyder, commander of the 13th Air Force at Clark, said that restrictions on travel from the base would continue indefinitely and that Americans there might have to adapt to new conditions.
"I'd be kidding you if I didn't tell

The concerns were a new experience for Americans here. Despite on Saturday to demonstrate her an 18-year Communist insurgency concern over the killing of three and a history of political nurbolence, U.S. citizens have generally been welcome and secure.

The motives for the attacks and the source of the continued threat remained unclear. Various reports blamed either Communist rebels or right-wing groups intent on desta-bilizing the Aquino government and weakening U.S. support for it.

The Communists have not struck at Americans in the past, but they have made statements recently saying this tactic might change. Stepped-up patrols continued around Clark for the third day.
U.S. military policemen cleared servicemen from the rows of gaudy

bars that cluster around its gates. Two-thirds of the 26,000 Americans based there, including servicemen, civilian employees and dependents, live in Angeles City. They have been urged to travel only to and from their homes, using ma-

for thoroughfares. General Snyder said similar restrictions were in force at Subic Bay Naval Station and at smaller U.S. installations installations.

At the air base, Mrs. Aquino several hundred responses critical

Faust of Pasadena, Texas. The other victims were Hercu-lano Mangante, a retired Air Force technical sergeant and a naturalized American citizen, and Joseph Porter, a Filipino businessman of

you that it may be a long haul," he attended a memorial service for one of the two active-duty airmen killed outside its gates. Sergeant Randy Davis of Portland, Oregon. A similar service was held Friday for Airman 1st Class Steven M.

U.S. Drops Asylum Proposal

WASHINGTON -- The Justice

Department has backed off an unpopular proposal to change the way refugees are granted political asylum, after scores of immigrant dvocacy groups and lawyers claimed that the changes would deny due process to refugees, offi-

The proposal, as introduced two mooths ago, called for eliminating immigration judges from the asylum process and instead leaving asylum decisions to a special corps of officers in the Immigration and Naturalization Service.

After Justice officials received

they said they would continue to let immigration judges hear the asylum cases of refugees who are in

Under an interim procedure in place for the past seven years, refugees get two chances to ask for political asylum: first before the mmigration service and then, if they are denied at that level, before an independent immigration jodge

deportation proceedings.

The more we thought about it, the more we realized that the comments were not without ment said Roger Pilon, director of the Justice Department's Asylum Po-licy and Review Unit, where the

Reagan Aides Split on Ginsburg

Meese Elated but Baker Frustrated Over Court Choice

By Steven V. Roberts New York Times Service

WASHINGTON - President Ronald Reagan's nomination of Judge Douglas H. Ginsburg for the Supreme Court has renewed tensions between White House factions and has frustrated Howard H. Baker Jr., the White House chief of staff, according to administration

A Republican politician said that Mr. Baker and his staff were "really upset" by the choice of Judge Ginsburg, which Mr. Baker thought would run into considerable opposition, but that the chief of staff had accepted the president's decision and would work for

the judge's confirmation.

Mr. Baker spent part of the day Friday introducing Judge Ginsburg to Senate leaders. But the show of unity came after a defeat the day before.

The showdowo took place Thursday morning, when Mr. Baker, who leads a pragmatic faction, and Attorney General Edwin Meese 3d, one of the most orthodox administration conservatives, met with the president to review the met with the president to review the
two finalists for the Supreme Court
post: Judge Ginsburg and Anthony
M. Kennedy, a federal appeals
court judge in California.
Mr. Meese pushed heavily for
Judge Ginsburg, a former Justice
Department official, according to a
White House official

White House official.

Mr. Baker warned that Judge Ginsburg could face confirmation problems, particularly if the American Bar Association gave him a poor recommendation. But it was unclear whether Mr. Baker advocated the choice of Judge Kennedy or simply reported what he saw as Judge Ginsburg's drawbacks.

Later in the day, when Judge Ginsburg's selection was an-nounced, Mr. Meese was visibly elated as he received congratula-

tions from conservative Republi-can lawmakers. West Virginia, said Friday, "The Senate will not be stampeded."

"Meese wins on this one." White House strategist said. Marlin Fitzwater, the president's spokesman, said that Judge Gins-

burg's religion was a factor in his

"Certainly the fact that he was Jewish was discussed in the prelim-inary meetings and so forth." Mr. Fitzwater said.

He added that the White House was aware that Judge Ginsburg would be the first Jewish justice since Abe Fortas resigned from the court 18 years ago.

But some concerns have already been raised about Judge Ginsburg in the Jewish community. "Judge Ginsburg's being Jewish

in no way exempts him from searching examination of his views and record by all Americans, in-chuding American Jews," said Albert Vorspan, senior vice president of the Union of American Hebrew Congregations, a prominent Reformed Jewish organization. Meanwhile, Mr. Reagan insisted

Saturday that the Senate should act quickly on the nomination.

The president's language was more restrained than it was on Thursday, when he spent almost as much time criticizing the Senate (or its treatment and defeat of his earli-er nominee, Judge Robert H. Bork, as he did in introducing the new

Senate Democrats were irritated

Nonetheless, Mr. Reagan's crit cism continued Saturday in h weekly radio address. He chastise the Senate for the "campaign of

> consideration of Judge Bork Abortion Issue

Judge Ginsburg's wife per formed abortions during her medi cal training at Beth Israel Hospita in Boston, a spokesman for the Jutice Department said Saturday a reported by The Associated Presfrom Washington.

pressure politics we saw during th

Hallee Perkins Morgan, the during her first year of residency i 1979-80 and agreed to assist wit one difficult abortion in her nex year of training, but she has per formed none since then, said a Justice Department spokesman, Terr

As a result, Mr. Eastland said she like a number of doctors wh have performed abortions, from ber own experience, became per suaded that she did not want to d that anymore."

Chirac Begins Visit to Israel The Associated Press

JERUSALEM -- Prime Minis ter Jacques Chirac of France ar rived Sunday in Israel for a three day state visit. It is the first visit by by the remarks, and the Senate majority leader, Robert C. Byrd of ish state.



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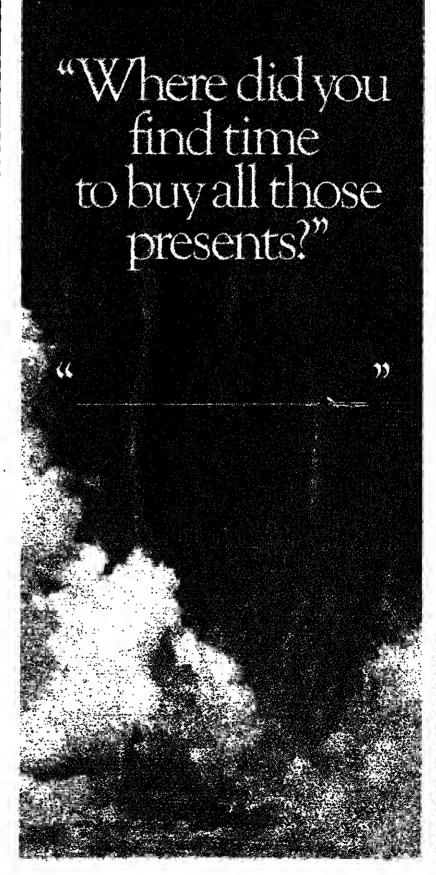
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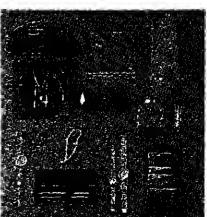
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The Reliable Airline KLN

By David K. Shipler New York Times Service WASHINGTON - With last

week's announcement that Mikhail S. Gorbachev will be coming to Washington Dec. 7 for a summit meeting with President Ronald

NEWS ANALYSIS

Reagan, Americans are promised a agility uncommon in Soviet leadcloser look at one of the world's most provocative figures.

The summit arrangement came as a reversal of sorts, exactly a week after Mr. Gorbachev told Secretary of State George P. Shultz in Mos-cow that be did not feel comfortable setting a date as long as Mr. clever public relations man, and

In Poll on Political Issues

MOSCOW - Moscow residents rank Mikhail S. Gorbachev slight-

ly ahead of Stalin in importance to their country.

They approve of giving exit visas to citizens who want to emigrate, but they disapprove of releasing dissidents from prison or exile.

Some say that Soviet troops should be withdrawn from Afghani-

stan. And they do not expect much from the coming summit meeting with President Ronald Reagan.

These are among the findings of a poll conducted by French and

Soviet researchers, apparently the first widely publicized survey using

Western polling standards to measure Soviet public opinion.

The results were made available by the French television network

TFI and Radio France, which sponsored the survey with the weekly

Le Point. Researchers from the Institute of Sociological Studies of the

Soviet Academy of Sciences interviewed 1,000 Moscow-area residents

by telephone after reading a statement promising anonymity.

Predictably, in a country where people may be reluctant to tell their views to strangers, a heavy majority said they supported Mr. Gorba-

Asked if they approved of the release of "those who are called dissidents" from prison or exile, 42 percent said no and 27 percent yes.

But 73 percent said they approved of giving exit visas to people who want to leave the Soviet Union permanently, while 18 percent were

Asked for the three most important figures in Soviet history, they

put Mr. Gorbachev ahead of Stalin, whose brutality and centralized economy have come under sharp criticism since Mr. Gorbachev came

to power. Mr. Gorbachev was named by 31 percent, Stalin by 25 percent. Lenin, the founding father of Soviet socialism, was named by 64 percent.

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background essential. French very important,

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chev's program of economic changes.

Reagan refused to compromise on his space-hased defense system. Another Soviet leader might have felt obliged to stick to that orgative position, but oot Mr. Gorbachev. He has disturbed and fascinated

curial, unwelcome characteristics the West practically since the mo-ment he took the reins of Soviet in an adversary of his dimensions. Bot this American fixation on his power in March 1985. With an irstyle runs the risk of diverting ateverence for precedent and an tention from his substance. Domestically, his efforts toward what be ers, he has disrupted old assumpcalls glasnost, or openness, and per-estroika, or restructuring, already appear to have set new forces in tions about Soviet impulses, forced reappraisals of Soviet purposes and reodered less predictable the course of East-West competition. motion in the economy, the press, the dynamics of Communist Party Some Western officials and anapolitics, film, literature, music and

lysts see him as little more than a the teaching of history. In foreign affairs, Mr. Gorbachev has stated his abhorrence of nuclear weapons and his readiness to reduce them, be has compro-**Muscovites Test Glasnost** mised deeply in arms control to defuse tensions with Washington and be has begun to abandon old

policy reflexes that have governed Soviet positions in the Middle East, the Far East and elsewhere. "Potentially, be's one of the truly historic figures of the 20th century," said Stephen F. Cohen, professor of Soviet politics and history at Princeton University. "It may be that even if he doesn't succeed in the end, the reforms are going to start a turnaround in that system. We ought to welcome that and stop fussing so much about Gorbachev's

ed States for seeming rash and mer-

dazzling style." Mr. Cohen and other analysis feel that Mr. Gorbachev has defied his oational security clite's policy assumptions by advocating an abolition of ouclear arms. "He has a kind of peacenik attitude toward ouclear weapons," Mr. Cohen said. Now, you can say be's manipulating the issue to breed pacifist atti-tudes in Europe, to breed pacifist attitudes in America. Yet he's done this at some risk at home, where generals have accused some writers of breeding pacifist attitudes

Furthermore, Mr. Gorhacbev schievements in arms control to concerns not their creator.

(Continued from Page 1)

out a more tolerant position about

"Even the most extreme view-

point contains something valuable

and rational, since a person who

defends it honestly shows concern for the common cause," he said.

But he seemed to sense that this

view could oot yet be sustained in

"Today we are going through a school of democracy anew," he

"We are learning. We still lack political culture, we lack the culture

to conduct debate and respect the

viewpoint even of a friend, a com-

rade. We are an emotional people. We will probably get over all this. We will mature."

The Soviet position on Mr. Rea-

gan's Strategic Defense Initiative has been changing, Ms. Ridgway

Soviet posture toward SDL The in-

teresting thing about last Friday's

talks with the Soviet foreign minis-ter, Eduard A. Shevardnadze, said

Italian Body-Snatchers

Demand \$7.5 Million

SOVIET: Problem for Gorbachev

ARMS: Senate Battle Is Foreseen

what he described as shifts in the Shevardnadze on SDI

ported.

Reuers

RAVENNA, Italy — The body bachev has dooe in the past, Mr. Gorbet business has been stolen from a cial worry in his farewell oews concerning the solution of the founder of frally's third largest business has been stolen from a cial worry in his farewell oews concerning the solution of the past, Mr. Gorbet business has been stolen from a cial worry in his farewell oews con-

cometery by a group demanding 10 billion lire (\$7.5 million) from the wealthy Ferruzzi family, police sources said Sunday.

Some administration officials said Mr. Shevardnadze's comments

sources said Sunday. said Mr. Shevardnadze's comments and similar Soviet statements did

were reported missing from the not mean that Moscow had backed family tomh in the oorthern city of away from its basic objective of Ravenna on Friday night after an

anonymous telephone call to a SDI tests, although they acknowl-

among Soviet youth."

political debate.

many are skeptical about his ability justify his concessions, according to American analysts who have to make durable changes in the Soviet system. His recent vacillatalked to members of the Commution on setting a summit date also nist Party's Central Committee. There is some grumbling about his giving more than he is getting, earned him reprimands in the Unitabout his failing to produce tangi-

> This surfaced last week in reports of criticism of Mr. Gorbachev's leadership during the Central Committee's pleoum just before Mr. Shultz arrived in Moscow. American scholars are divided over Mr. Gorbachev's policial strengths, and last spring in testi-mony oo Capitol Hill, a few pre-dicted his downfall.

> "He's moving so fast, be's stepping on so many toes, that be him-self worries whether or not he'll be able to pursue it," said Marshall L Goldman, a specialist in Soviet economics at Wellesley College and associate director of Harvard's Russian Research Center. "My own prediction is that he won't last

The pessimism was shared by Peter Reddaway, a specialist at the Kennan Institute for Advanced Russian Studies in Washington. "I think that it is extremely possible that if Mr. Gorbachev continues with his present policies, he will be removed within the next two or three years," be said.

Others scoff at such dire forecasts. "It seems to me be has had one of the great, classical consolidations of power in Soviet history," said Jerry Hough, a Sovietologist at Duke University and the Brookings Institution. "I think Gorbachev is as strong as Stalin was in 1927-28."

More significant is the conviction among some that the Gorbachev phenomenon is broader than the man, that it derives less from his personal preferences than from deep currents of generational change, economic anxiety and wor-ry that the Soviet Union may enter the 21st century as a weakened gi-ant, devoid of the technological vitality that propels the West into an increasing lead. Mr. Gorbachev is eems to oeed some substantive the product of these forces and

The resolution of the Yeltsin case will show whether Mr. Gorba-

chev's view prevails or whether he

is forced to accept the narrower

boundaries implicit in Mr. Lukyan-

The absence of any report about

the case in the Soviet press, and the

censoring of the Tass report, sug-

gests that the party leadership did

oot think the country ready for

open coverage of internal disputes.
It is not the first time that infor-

mation about domestic concerns

has been made available for use

abroad but oot at home. In the days

following the accident in April

spoodents but oot the Soviet press.

Mr. Carlucci, who was a partici-

way said they believe that Mr. Gor-bachev remains firmly in charge at

said Saturday that the Soviet for-

cign minister, Eduard A. Shevard-

nadze, left Washington after indi-

cating that Moscow might be

adopting a new strategy for limit-ing SDI. The New York Times re-

Instead of attacking the so-called

ov's comments.

Victory for Deng (Continued from Page 1) advisory commission, but his re-

ceot public appearances have shown him to be virtually incapacitated because of ill health.

The highest leadership changes are to be announced Monday, when the oew Central Committee selects members of the Politburo and its standing committee.

But the changes already dis-closed have significantly weakened the party "conservatives" who have tried to limit the scope and pace of economic and political reforms in-troduced by Mr. Deng and his protégé, Mr. Zhao. Mr. Chen, considered to be Mr.

Deng's most eminent rival for influence, was described as "slightly indisposed" and failed to attend the closing session of the congress, the first to be held in five years. Mr. Zhao, 68, is expected to be

named permanent party general secretary, placing him in line even-tually to replace Mr. Deng as the country's top leader and to push forward more forcefully with his economic reforms. The reforms are designed to move China away from a Soviet-

style centrally planned system toward a market economy, experimenting with whatever produces everybody loves one another could results, including capitalistic-style management techniques. The changes announced in the new committee constituted a tri-

1986 at the Chernobyl ouclear umph for Mr. Deng and Mr. Zhao fear that worse is yet to come may that went beyood what most diplonow be forcing a change in the tone power plant, details about the accident and its consequences were presented for use by foreign corremais and analysts expected in the of the Group of Seven's debates. way of losses for the conservatives. But official Chinese sources warned that despite the victory, Mr. Deng and Mr. Zhao faced ou-

merous problems. One of them, one source said, was the army, which is coocerned about a possisions that the long-standing dispute over arms in space could be resolved. This has been tied by Moscow to a strategic arms accord.

"They are no longer talking about killing SDI," he said. ble further decline in its power. The army has always been a key to power, and this source said that Both Mr. Carlucci and Ms. Ridg-

Mr. Deng had to stay on as military chairman in order to pacify its leadership.

said. "In time we'll find the basis the Kremlin, despite confirmed re-The party ended the congress probably the last to be dominated for going forward with the program and they'll admit it," she added.

Mr. Carlucci also emphasized during a meeting of the Communist Party Central Committee recently. by Mr. Deng — with the election of a committee whose new members and alternate members average 55.2 years in age. A party official said this meant a reduction in age Reagan administration officials of 3.9 years below the age of those who entered the old committee five years ago.

Yaqub Khan Resigns From Pakistan Cabinet

ISLAMABAD, Pakistan - For-

cign Minister Sahabzada Yaquh Khan has resigned for personal reasons, the Associated Press of Paki-

stan oews agency reported Sunday, can manage to prevent it, and it means a lower standard of living post for five years. His resignation for Americans. followed his withdrawal from the contest last month for the office of director-general of the United Nations Educational, Scientifie and Cultural Organization.

BUDGET: '2 Percent Solution'

(Continued from Page 1) tration's bargaining position more flexible on the question of taxes.

ROYAL COMPLIMENT - Prince Charles and Diana, Princess of Wales, arrived in

Berlin on Sunday for a seven-day tour of West Germany amid British press speculation that their marriage is faltering. The prince called his wife "the most glamorous colonel in the British Army." She is the bonorary colonel-in-chief of the Royal Hampshires.

Though both sides in the discussions have repeatedly said they are making progress toward a budget accord, the pressure for another meeting with the president would indicate otherwise.

In addition, the House speaker, Jim Wright, Democrat of Texas, and the Senate majority leader, Virginia, dropped in on the talks tax revenues from the partial re-Friday, which was interpreted as moval of indexing on individual another sign of a lack of progress.

'Wright and Byrd wouldn't have come over there if things were go-

ing well," an official said. One senior official who is pushing the "2 percent solution" said that for all its political drawbacks it bas the advantage of treating equally both Social Security benefi-

offers Democrats who are resistant Robert C. Byrd, Democrat of West to cutting those benefits additional

DOLLAR: Stability Not the Answer

under U.S. pressure. But an official save than the consumers of all oth-of the Bundesbank explained, or major industrialized countries. These are very marginal changes

and reversible at any time."
As a result of the uncertainty over U.S. and West German policies, an American official said of a plan for a meeting: "It's not at all settled. There has to be real sub-

kets as inconsequential would only bring retribution from the markets. the West German official said. "Just a meeting to confirm that

The jolt of the crash in the stock markets, which has reduced the wealth of all the countries, and the

France and Germany have been openly urging Mr. Reagan to raise

Whatever its pace or magnitude. a further decline normally means

spending and borrowing by Ameri- Americans could not buy.

ciaries and retired government em-In addition, the official said, it

(Continued from Page 1)

A meeting that strikes the mar-

be a disaster," be said.

Already, the countries have at

policy that would leave the dollar more room to rise and fall cannot Economists have be gauged as yet. The unbalanced that the U.S. currency should deready low levels, according to some the message home.

Nixon's Council of Economic Ad-need less and less foreign help in visers, and Beryl W. Sprinkel, the chairman of Mr. Reagan's council, urge a quick fall in the dollar. (Cutting the deficit throw the U.S. econor

that Americans will pay more for American spending as well. A rethe goods they import and that for- cession could strike because the eigners will pay less for American process of cutting the deficits re-goods. It could also mean higher quires cutting government spend-inflation unless the governments ing or raising taxes, which takes can manage to prevent it, and it money out of consumers' pockets.

cans and a greater reluctance to Since the U.S. retreat from its commitment to dollar stability that became evident in mid-October,

the U.S. currency has declined 5 percent against the Deutsche mark and 4.5 percent against the yen.

At the next G-7 meeting, the German official said, the countries could once again profess a commitment to stable currencies.

"But you would probably see the word 'flexible,' " the official said, it needed the sales to stay in I

and an indication of acceptance of a lower level for the dollar than under the Louvre accord. "An agreement wouldn't mean absolute rigidity," he said.

The stable-dollar policy created problems. Relatively low U.S. interest rates encouraged consumers to spend much more than they would have otherwise, and this preleast scrapped some of their old vented a significant reduction of courtesies. Top officials of Britain, purchases of imports and thus a reduction of the trade deficit,

Because Japan and West Germataxes if necessary to reduce the oy could keep their domestic econbudget deficits more. And Mr. omies affoat by selling goods to Baker has publiely berated West Americans, they had less incentive Germany for slowing its economy, to cut taxes, lower interest rates or in the face of 1 percent inflation, by take other measures to stimulate their domestic economies and en-The dimensions of a change in courage their own consumers to

Economists have been saying for months that at some point, the cybooks of the world economy imply cle of American spending and borrowing has to stop. The dive of the cline 5 or 10 percent from its al- stock markets may have brought

economists, or by 30 perceot or more according to others.

Herbert Stein, who served as chairman of President Richard M. because the United States would

Cutting the deficits also could throw the U.S. economy into a re-cession, they warn, and possibly many other economies that rely on

However, prodded by the incentive of a lower dollar, which means This, some economists say, is the lower prices for American goods, price the country must pay for five and by reductions in their own in-years of recession-free growth ac-companied by an explosion of be expected to buy the goods that

Japan Balks At Sanctions Against Iran

By Clyde Haberman

New York Times Service

TOKYO - Japan has told the United States that it would not go along with American sanctions on trade with Iran, hut suggested that it would at least try to hold imports of Iranian oil at present levels.

The Reagan administration had

urged allies to join its decision last week to impose a ban on all Iranian imports and to tighten restrictions on exports to Iran.

It is unusual for Japan to turn Washington down on a sensitive matter, given the overwhelming importance attached to good relations with the United States. When Japan says no, it does so only because of worries that it would otherwise damage vital economic and diplomatie interests.

lu this case, Japan feared the loss of a significant oil source, and also wanted to preserve its status as one of the few industrialized countries to maintain diplomatic relations with both Iran and Iraq.

The rejection was relayed Saturday in a meeting here between Uo-dersecretary of State Michael H. Armacost, and a Japanese deputy foreign minister, Ryohei Murata.

Mr. Murata told Mr. Armacost it was "too early to take economic measures" because of continuing United Notion efforts to mediate a settlement of the Gulf War. In additton, he said. Japan might still be able to play a diplomatic role to help end that conflict.

A statement said the Japanese oil industry would be asked to "behave with care and prudence in the face of any disturbances to the international oil market which might be caused due to the United States

economic measures. The phrase "care and prudence" suggested that Japanese companies vould he advised, most likely through indirect but oonetheless effective channels, that they risked official displeasure if they were to increase Iranian oil imports.

lo 1986, Japanese imports from Iran totaled \$1.1 billion, virtually all of it crude oil, Japanese exports, maioly machinery and ships, amounted to S1.4 hillion.

it needed the sales to stay in busioess. Daniel Dewayrin, president of Luchaire, said that the Defense Ministry had "covered" the sales.

Little was heard about the affair until the two conservative newsmagazioes, L'Express and Le Point, ran their stories this weekend about a secret report by the French Army's comptroller-general, Jean-François Barba.

An investigating magistrate, Michel Legrand, is expected to ask Defense Minister Andre Giraud to declassify the report. The magistrate is not allowed access to confidential documents. According to Le Point, the re-

port says that between three and percent of the profits from the shipments went directly to the So-cialist Party. It said that the alleged funding diversions went through oumerous intermediaries. The article also said that Admi-

ral René Lacoste, former head of the French intelligence service, told President Mitterrand and Jean-François Dubos, a technical adviser to Mr. Hernu, about the sales.

Le Point also stated that Lu-chaire sold some explosives to Iran that were the same type used in bombings in Paris in 1985 and 1986. Some officials have tied those attacks to Iran's supporters. France severed diplomatic ties

with Iran last July after an official in the Iranian Embassy refused to appear before a French judge to answer questions about the attacks.

Reuters HAMBURG - About 5,000

protesters threw stones at police, injuring an official, and broke windows during a demonstration in support of squatters Saturday, the police said. There were oo arrests.

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Japan Balks At Sanctions Against Iran

By Chide Haberman TOKYO Jord Times Service
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GULF: French Scandol

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Raily for Hamburg Squater

HAMBURG - About 5000 protesters threw stores at police more an official and broke up dows during a demonstration is support of squatters Saurday is police and There were no mass

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In Colombia, Uncontrolled Violence Breeds a Sense of Chaos

By Alan Riding New York Times Service

BOGOTA - Within the space of a few days this month, the leader of Colombia's main leftist party was assassinated, the country's best-known sculptor was kidnapped and several prominent writers and artists were forced into exile by death

That was not all. A bomb damaged the Defense Ministry in Bogota, 16 people were killed one afternoon by feuding emerald-smuggling rings, and gummen of the left and right added several dozen to the estimated 1,200 political killings so far this year.

er uns year. Even for Colombia, a country long accustomed to levels of violence that would be considered intolerable elsewhere, the events of recent weeks have proved too much to ignore. The immediate response of many Co-

lombians has been to blame the govern-ment of President Virgilio Barco Vargas for a breakdown of law and order.

There is also new recognition that, while Colombia is in no imminent danger of being taken over by leffist or rightist extremists, uncontrolled violence is seriously undermining the country's democratic institutions

But perhaps most of all, the crisis has exposed a deep sense of powerlessness. The population is perplexed," said Enrique Santos Calderon, a newspaper columnist, "People ask, Why is this hap-

pening? and "Who wants to destabilize the country?" and then they answer ac-

cording in their intuitions and passions."

Trends nonetheless exist. While at different times violence has come principally from leftist guerrillas and narcotics traffickers, there is now strong evidence that extreme rightists are waging war against nonviolent leftists.

The killing of the leader of the leftist Patriotic Union, Jaime Pardo Leal, on Oct. 11 served as the catalyst for the latest soul-searching, but it was in no way an isolated incident. Over the last 18 months, close to 500 other party members have been killed. Death threats sent out to a number of

priests, academics, lawyers, journalists, and artists have in turn spread terror to groups outside the Patriotic Union. Several of those threatened had denounced the rightist campaign. But in other cases, the motive was unclear. For many Colombians, the severity of the crisis became apparent only when they learned that many prominent people — among them, the actress Vicki Her-

nandez, the musician Sergio Acevedo. and the journalist Daniel Samper Pizano - had fled the country. Yet while the leadership, structure, and activities of the country's leftist guerrilla groups are well known, no one has been able to identify the members of

There is well-documented evidence of the participation of some army officers in

rightist death squads. But despite chants at Mr. Pardo's funeral accusing the defense minister, General Rafael Samudio Molina, of responsibility for his death, there is no proof that the army as an institution has adopted

dirty war" tactics. The Patriotic Union contends that in many troubled regions, the extreme right includes cattle ranchers, narcotics traffickers and politicians, as well as army officers. Yet those who are coordinating what leftists call the "extermination campaign" at a national level have not been

Bernardo Jaramillo Ossa, the 33-yearold lawyer who succeeded Mr. Pardo as head of the Patriotic Union, said the extreme night's objectives at least are

"It wants to drive us out of the political arena, to force us to abandon the democratic struggle, in make us boycon next March's municipal elections," be said. We're not going to give it that pleasure."

Many politicians link the latest wave ce to the elections, scheduled for March 13, because for the first time in the country's history mayors will be elected rather than appointed by the central government. Thus, where the Patriotic Union might win, it is coming under what is apparently an active and well-

tack.

While warnings are heard that Colom
justice minister, some 50 judges, and more than a dozen journalists who dared

bia is sliding irrevocably toward the kind of polarization that has convulsed El Salvador in recent years, this country's crisis

still somehow escapes easy stereotyping. The economy, for example, is growing strongly. The battle lines between left and right are not clearly defined, with many conservatives anxious to disassociate themselves from the extreme right and some leftisss openly critical of guer-rilla tactics. And while violence in Central America is mainly poliocal, things are complicated in Colombia for many

The kidnapping last week of the sculptor, Rodrigo Arenas Betancourt, was a case in point. He was grabbed in Medellin, a city where leftist guerrillas, narcotics traffickers, paramilitary gangs, and common criminals all operate with apparent impunity. Yet none took responsioility for the crime.

There were more than 11,000 killings in Colombia last year. Many of them are attributed in personal vendettas and crimes of passion, particularly since even minor disputes are routinely settled with

Further, violence has undergone a qualitative change in Colombia this decade with the introduction by major cocaine traffickers of the paid assassin. Known locally as sicurios, these gun-men have over the last three years killed a

challenge the power of the drug barons who form the so-called Medellin Cartel. Since mid-1987, when terrorized

judges and politicians finally abandoned efforts either to jail major traffickers or to extradite them to the United States, drug-related violence has sharply dimin-

"The drug bosses now feel relaxed," one foreign narcotics expert said. "They don't need to kill anyone because they have gotten their way. They're exporting more cocaine than ever and there aren't even arrest warrants out for them." In the process of intimidating society,

the drug mobsters have effectively de-stroyed Colombia's system of justice, which now seems incapable of confronting an array of other criminal or paramilitary groups.

■ 10 Policemen Killed

Ten police officers were killed when their vehicle was blown up by a mine in an ambush by guerrillas in northeastern Colombia, a military spokesman said, Reuters reported from Bogota.

The attack took place Friday near Betoyes, in Aranca Province, some 180 miles (300 kilometers) northeast of Bogo-

In another incident on Friday, a municipal councilor and local leader of the Patriotic Union, was killed by two gunmen while traveling in a bus in the east-ern province of Meta.

Sole Party in Tanzania **Keeps Nyerere at Helm**

By Sheila Rule

New York Times Service NAIROBI - Julius K. Nyerere, who ruled Tanzania for 24 years, political party.

Mr. Nyerere, 65, was elected to a 1,878 of the 1,910 votes cast at the turn over the party post to Mi the only candidate nominated for the end of October. the post by the party's nadonal executive committee, and delegates were allowed to vote only yes or no.

Ali Hassan Mwinyi, the Tanzanian president, was the sole candidate for the position of party vice chairman. He received 1,907 votes; three delegates voted against him.

To stem economie decay, Mr. Mwinyi signed an agreement with the International Monetary Fund. an organization that has long been a target of criticism by Mr. Nyervoiced pleasure over Mr. Mwinyi's had pressed Mr. Nyerere in keep moves to revive the economy, and the chairmanship. the changes have been popular among Tanzanians, who are able to buy basic consumer goods after years of deprivation.

agricultural recovery, and foreign aid is pouring into Tanzania.

dependence from Britain in 1961 He turned over the presidency to Mr. Mwinyi in November 1985 hu has been overwhelmingly re-elect- retained the powerful position o Cha Mapinduzi Party.

ed chairman of his country's sole chairman of the governing Cham-When he stepped down as presi five-year term Saturday, receiving dent, Mr. Nyerere said he would

party's 10-day convention. He was Mwinyi when his term expired a As the economic recovery pro gram began to loosen governmen controls, however, Mr. Nyerere, at

orthodox Socialist, showed signs o changing his mind. Mr. Nyerere reportedly said tha he had agreed to accept re-election because the party needed strength ening and because pressing domes tic and international issues called

for a sharing of power. Foreigners and Tanzanians who follow politics in the country said ere. Western aid donors have however, that some party members

"The only reason Nyerere wanted to stand was to curb reforms," a Western diplomat in Dar es Salaam, the capital, said in a tele-Higher producer prices and fa-phone interview. There is a lot of vorable weather are leading to an pressure in make sure economic reform does not translate into ideo-

Ortega Juggles Moscow Mission With Peace Plan

By Julia Preston

Washington Post Service MANAGUA — President Daniel Ortega Saavedra has left for a five-day trip to Moscow at a time when Nicaragua faces mounting economic hardship and when the Soviet Union has begun to set limits on aid.

Mr. Ortega said on Saturday that he would return home by Thursday, the first deadline for a peace plan he signed with four other Central American presidents. That means he will leave before Nov. 7, the most important day of the weeklong celebration of the 70th anniversary of the Bolshevik Revo-

Mr. Ortega's truncated trip to Moscow for a meeting of world leftist leaders reflects the bind Nic-

Yugoslav Leader Visits Cuba Reuters

HAVANA - President Lazar Mojsov of Yugoslavia arrived in Cuba on Saturday on a three-day visit for talks on trade and international issues, Cuban officials said. He is also to visit the site of the island's fust nuclear power plant in er, Fidel Castro.

ragua is in. It is tugged toward the Soviet bloc by a pressing need for aid and pulled back to Central America because the peace accord could bring an end to U.S. support for the rebel war that helped crip-

ple the Nicaraguan economy. There have been discreet Soviet messages this year, however, that Nicaragua should not expect increased aid and should use what it has more efficiently. This has contributed to Mr. Ortega's decision to sign the Central American accord on Aug. 7 in Guatemala, diplomats in Managua said.

A visit to Moscow by Mr. Ortega at another critical juncture, in April and May of 1985, caused the U.S. Congress to reverse itself on aid for the rebels, known as contras, and approve the first of two aid packages totaling \$127 million.

Mr. Ortega, discussing his cur-rent trip at a news conference Saturday, said, "Nicaragua is not another state of the union, I don't have to give any explanation to the U.S. Congress about why I'm traveling to Moscow."

of," Vice President Sergio Ramírez urade bloc. Mercado said earlier this month. "We're not interested in producing any chill with the Soviets because we've had a very positive relation with them which we're not the least

ashamed of and want to culovate." Diplomats from both East and insist that Mr. Ortega be in Moscow during an important week in the development of Central America's peace plan.

The compromise decision that be return early seemed a logical concession to regional pressures, the diplomats said. Soviet officials strongly supported the Guatemala accord in recent statements.

"If 60 percent of your economie aid comes from the Soviet bloc, you go to Moscow, a Foreign Ministry official said. "It's the place for con-

sue is Nicaragua's oil supply. The minister for foreign cooperation, Henry Ruiz Hernández, appealed The Nicaraguan president Thursday at a gathering in Manastopped off in Havana for two gua of officials from the Council hours of talks with the Cuban leadfor Mutual Economic Assistance for 365,000 barrels of oil that Nica-for 365,000 barrels of oil that Nica-mands for the rest of this year. The U.S.S.R. is sending a clear to the Soviet bloc. We have political ties with the ragua needs for the rest of this year.

Soviet Union we have to take care. The council is the Communist message in Nicaragua; there is a

Nicaragua's minimum budgeted petroleum requirements. In 1986, the Soviet Union provided 4.6 mil-West in Managua were surprised lion barrels. This year they guaran-when the Soviet Union appeared to teed only about three million and told Mr. Ramirez to get the rest

from other East bloc nations. Over the summer, Mr. Ramirez East Germany, among other nations. But these countries were stingy with oil, which in some cases came from their own shrinking Soviet allocations.

"As it stands now they are facing a real fuel bind come December," a foreign economie analyst said. Mr. Ramirez said, "The question is still open about what will happen

The most painful unresolved is-Meanwhile, the quality of the new Soviet fuel is reportedly so bad that it is causing cars to emit thick gray smoke and has been blamed four recent crashes of cropdusting planes in northern Nicara-

cap to its commitment," said an Mr. Ramirez said be learned in ambassador in Managua. He theomeetings in June in Moscow that rized that the Kremlin's new tack is the Soviet government for the first part of a larger policy shift to im-time would not promise to cover prove relations with nationalist governments in Latin America rather than favoring radical revoluflonary regimes and movements most antagonistie to the United

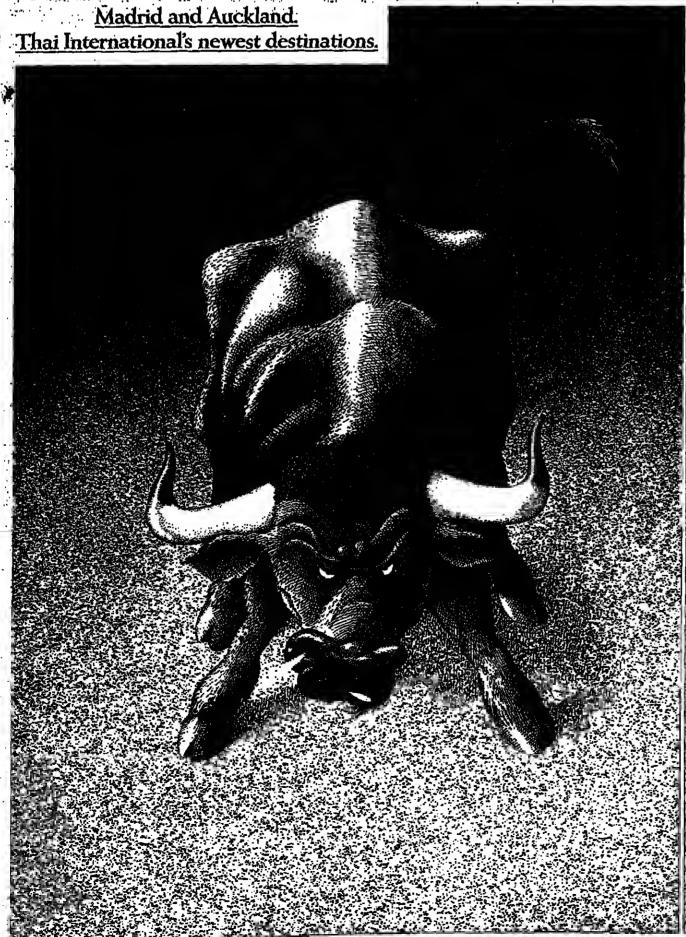
This year, Soviet aid aside from oil, and not including military equipment, will come in the equivatraveled to Hungary, Libya, Iran, lent of \$350 million, Mr. Ortega Iraq, Czechoslovakia, Poland and said in a recent speech, with another \$150 million from other East bloc nations, By contrast, aid from non-Communist countries amounted to about \$100 million. The United States provides no aid to the Sandinist government and

enforces an embargo on trade. Most of the foreign aid comes in credit lines on "very easy terms,"

Mr. Ortega said. The first glimmers of Soviet displeasure came with a visit in March of a Soviet official, Boris N. Yeltsin. He reportedly complained of low gas prices at the pump - still at about 10 cents a gallon - sloppy administration of Soviet aid and poor quality of Nicaraguan exports



Henry Ruiz Hernández, the Nicaraguan minister of foreign cooperation, right, talking with Pyotr Koshelev, a Soviet delegate, at a meeting in Managua of Communist officials



Madrid, Spain. City of sunshine, cool breezes and romance. Of flamenco dancers, singers and guitarists. Of toreadors and picadors. And now Thai opens its doors to this picturesque city. Flights commence December 5 from Bangkok via Rome every Saturday and Monday. Returning to Bangkok via Rome every Sunday and Tuesday.



Auckland, New Zealand. The perfect starting-off point for a holiday to remember. Skiing, boating, fishing, touring in the land of the famous All Blacks Rugby team. New Zealand has it all. Now Thai touches down there December 6, direct from Bangkok (leaves Saturdays), returns every Sunday.

Herald Tribune.

Ten Days to Remember

Mikhail Gorbachev expected to start weaving back into Soviet history some of the many pages long ago torn out. The Bolsheviks thought themselves the vanguard of a socialist movement that would sweep the world. Those who commemorate the revolution now struggle with a troubled system.

General Secretary Gorbachev wisely seems to believe that he cannot build a future on past lies. There is oo better way in penetrate the cynicism that pervades Soviet views about reform. But he must go beyond the worn excuses seen in the first glimpses of his forthcoming book.

John Reed, an American, provided an eyewitness account of the revolution in his book, "Ten Days That Shook the World." And so they did, for seven decades. Mr. Gorbachev might now well address 10 distinct, particularly troubling days, each symbolic of larger questions.

March 15, 1917: The overthrow of the czar.

The monarchy's end was followed by a provisional government that sped up modern-ization. It was these liberals and their democratic ideals that the Bolsheviks overthrew. Nov. 7, 1917: The Bolshevik seizure of power. This is the revolution the Russians

will celebrate, surely with great praise for the man who led it. But can they acknowledge that a part of Lenin's legacy was to reject the market forces and diversity of ideas whose return reformers now seek?

March 17, 1921: A new economic policy. Economic collapse forced Lenin into a large dose of free enterprise, in a program very much a model for today's reformers. The NEP did much in restore economic health. But its success generated enemies among the more orthodox Communists.

Jan. 21, 1924: Lenin's death. The bitter succession struggle, like the argument over the NEP, signified the clash of opinion over how best to pursue the goal of socialism. Leon Trotsky argued that it could never thrive in one state alone, and that limited resources should go into the production of consumer goods. Stalin, his eye on building power in the Soviet Union, pressed instead for industrialization and weapons, and won. Trotsky was later assassinated in Mexico —

and written out of history. Dec. 1, 1934: The assassination of Kirov. Circumstances surrounding the death of Sergei Kirov, the Leningrad party leader, were cloudy; many people suspected that Stalin was the instigator. The assassination stands at the start of 25 years of terror, in which Stalin wiped out enemies, real and imagined, perhaps by the millions, and brutally forced collectivization in his struggle to build an industrial giant and military superpower.

Mikhail Gorbachev is to arrive for a

Washington summit, on Dec. 7, after all, He

and Ronald Reagan will sign a treaty climinating medium-range missiles, a treaty that

is a political issue in Republican circles but

otherwise appears to enjoy broad public support in America. The two leaders will move

on to discuss larger issues of strategic arms plus the other issues of Soviet-U.S. relations.

Why, a week earlier, had Mr. Gorbachev

set a summit condition of prior U.S. conces-

sions? There are lots of interesting theories.

The important thing is that Mr. Reagan

declined to panic and in a short time the Kremlin backed off. For Americans to try to

play the angles in the Kremlin is foolish.

What counts is to calculate the American

Events are back on the track they were on

before the week that wasn't: the track of a

confrootation over space defense. Mr. Rea-

gan insists that vigorous American pursuit of his Strategic Defense Initiative is essen-

tial in security and peace, and Mr. Gorbachev insists that such pursuit is anathema.

Mr. Reagan argues that agreement on a 50

percent cut in strategic warheads, his priori-

interest, and then to follow through.

The 70th anniversary celebration of the Aug. 23, 1939: The Nazi nonaggression Bolshevik revolution opens today, with pact. That Stalin made such a cynical and monstrous pact with men be had so long and so fervently denounced shocked the world. It contained a mutual pledge of neutrality and a secret agreement to divide Poland. Thus it provided a foretaste of Soviet domination of Eastern Europe.

Feb. 25, 1956: Demunciation of Stalin. When Nikita Khrushchev denounced Stalin at the 20th party congress, he began airing the secrets of 25 years of terror and easing repression. But the man who allowed the publication of "One Day in the Life of Ivan Denisovich" denied the same in "Doctor Zhivago." He told Boris Pasternak that if be collected his Nobel Prize he could not return

Nov. 4, 1956: The Hungarian revolution. The Khrushchev speech was attacked as an assault on party discipline and socialist morale worldwide. Soon after it, Hungarians seeking freedoms and autocomy learned that there was no room for such independence in the socialist alliance.

Oct. 14, 1964: Khrushchev's ouster. For what Pravda called "harebrained schemes" and "hasty decisions," the erstwhile reformer was stripped of power. Foreign pleas for

explanations brought few. The effort to erase Khrushchev from history began.

Aug. 20, 1968: Crushing of the "Prague spring." Soviet tanks rolled into Czechoslovakia to smother the quest for democratic socialism. Leonid Brezhnev responded to international outrage with his doctrine: Soviet interference in other Communist states is justified by a "threat to the security of the

socialist community as a whole."
On March 11, 1985, Mr. Gorbachev assumed power, and be continues to surprise the world. His leadership follows 20 years of economic stagnation. His commitment in change is tested by Communist Party ideology and bureaucracy, and by the xenophobia, security mania and mistrust of in-novation bequeathed by Russian history.

There are history lessons here, and not only for Russians. A look at the last 70 years shows that the U.S.S.R. has not been a static place, nor communism an unchanging system; nor did reform begin with Mr. Gorba-

chev. But he wants to carry it much deeper. He celebrates the Bolshevik revolution not simply for ritual but to advance his own revolution. The prospects for this new revolution are utterly unpredictable. Unmistak-able, however, is the depth of proposed change. The system may be a super-bureau-cracy but it has produced a leader who himself shakes the world. Those who believe that they can deal productively with this Soviet revisionist on the basis of old platitudes need some new vision of their own.

- THE NEW YORK TIMES.

ty, should not be held hostage to space defense, Mr. Gorbachev says that offense

cannot be fixed until you know what de-

On the level of principle it all sounds beyond agreement. Still, the issue may yet

be nudged to a more pragmatic level. The

Soviet approach is to use the Anti-Ballistic

Missile Treaty of 1972 — the basic common

document on defense - to put agreed limits on testing and development. The Reagan

administration approach - well, there are two administration approaches.

One approach recommended inside the

administration is to put the foot to the floor

on the SDI in the hope that the progress thus

to be gained will be worth more than any

space defense accord with Moscow can bring. The other — the right course and the

course Congress seems bent on enforcing by

its power of the purse anyway - is to accept

certain limits on testing and development in the expectation that nothing important in defense is lost by proceeding at a modified pace, and that much that is important in

reducing the Soviet warhead threat is gained.

— THE WASHINGTON POST.

fense it might have to overcome.

A New and Different Morning in America P ARIS—History's web has snared a swarm of dramatic events in the past two weeks and left them exposed in close proximity in its threads. The resulting pattern shows that we live in a world By Jim Hoagland

radically different from the one we inhabited just a shock will savor this potential reversal.

few days ago — a world in which American influence and prosperity are on the decline.

On view now is much more than the weakened state of the Reagan presidency or the particular flaws of Mr. Reagan as a leader. The stripping away of the facade of the false financial structure erected on Reaganomics brings to the fore a transition in America's role in the world that the strength and dynamism of America has repeatedly postponed, but which is now at the door. The wild gyrations of the stock market, the dollar and interest rates struck down reputations

and fortunes not only on Wall Street and in other financial centers. U.S. prestige and leadership were also marked down sharply, in a reaction that not even the current market rebound and the Dec. 7 U.S.-Soviet summit are likely to overcome. Lingering damage seems to have been done to the idea that U.S.-style free markets are the irre-

sistible wave of the future. In Britain and France, conservative prime ministers who have proudly promoted the sale of stock market shares in denationalized firms to the people, as a way of spreading capitalism (and boosting their own political fortunes), suddenly have egg all over their faces. Left-of-center parties are seeing their recently discredited policies of strong market regulation

and economic intervention take on new life as a result of what is widely seen as an American-

caused debacle. The leftist governments that took the brunt of the political fallout of the 1979 oil

With America mesmerized by Wall Street, sud-dea lurches in the Soviet-U.S. dialogue and the failure of a weakened president to get the Supreme Court justice of his choice, efforts to develop alternatives to dependence on U.S. leadership appeared to move into a higher gear in many places.

Bonn and Paris escalated discussion of French-German cooperation on nuclear strategy, which has always been a coded way for the West Germans to express doubts that they cannot voice directly about U.S. security policies. (Neither government has any real interest in the subject on its own merits.) In The Hagne, seven West European

an implicit vote of diminished confidence in American abilities and commitments. In the Gulf, Kuwait watched in dismay as the United States declined to retaliate for an Iranian attack on a vital Kuwaiti oil terminal. The Kuwaitis then let it be known that they were deeply involved in talks with Egypt about Egyptian mili-tary protection in return for massive economic aid. The decision in show restraint for the attack on

governments issued a new security declaration in

the terminal was prudent. The well conceptualized retaliatory strike against an Iranian oil platform the week before also deserves praise rather than criticism. But such actions cannot be separated out from the failure of overwhelming American military force to calm the Gulf, nor from the impact of the financial crash on American allies.

The image of U.S. Navy gunners shooting up a deserted Iranian platform at about the time world stock markets began to crash symbolizes the refus-al of this administration to match open-ended military ambitions with diminishing economic autonomy. It is Mr. Reagan's unintended version of Conrad's gunboat senselessly lobbing shells into the African interior in "The Heart of Darkness." A current, uncelebrated anniversary helps show that the transition ahead can be shaped into something that benefits America and the countries that share its values and economic system. It was just 30 years ago that colonial Europe began its final retreat, as the Gold Coast became Ghana, Ousted settlers and conservative politicians at home pre-dicted disaster as European markets lost guaran-

and other commodities from Africa and Asia. Today in the prosperous and sophisticated cities of Europe it is hard to remember what the fuss was about. Gradually freed of the burdens of colonialism, the Europeans plunged into the Common Market, which also began in 1957, and sped through a transition in which they became less important in running the world's affairs but more attuned to the needs of their own societies. They rely much more heavily on political and diplomat ic skills to secure their role in a multipolar world. Two weeks of turmoil indicate that something like that lies ahead for America. The task now is to

teed suplies of rubber, cocoa, diamonds, peanuts

manage that transition to America's advantage. The Washington Post.

Six Measures to Put the World Economy Together

By Malcolm Fraser

MELBOURNE — After the colthe world is recent days, many people are asking what will happen next. Obviously confidence is shattered and

investors are very nervous.
Unfortunately, a number of bearish factors are already built into the situa-

be pusipured as balled. Even these who have not invested in the stock markets will feel uncertain about the future. This is bound to have an im-Unfortunately, a number of bearish factors are already built into the sinuation, factors that are not dependent on put off or reversed as corporations

These measures would revive confidence in the economic leadership of the Western world.

sentiment or panic but on economic wait to see how the current environreality. Banks will be looking at all overdraft limits and lines of credit. Some have already been canceled or reduced. Many leveraged corporations or individuals will be forced to put assets on the market. This will put further downward pressure on an already difficult and sensitive situation. In the United States, the stock market crash on one day alone destroyed

25 percent of corporate wealth. Aus-

tralia fared no better. It is inevitable

that purchases of consumer goods will

ATLAST! A SUMMIT!

ment affects consumers.

Deregulation in Western countries has added to these uncertainties, Many prudential rules were applied to financial markets in the 1930s to try to make it impossible for the Wall Street crash of 1929 to happen again. In the rush and unthinking worship of dereg-ulation, many of those prudential rules have been abandoned. Financial institutions are oow much more intertwined, making it more likely that mis-

the whole system. This is not an argument against deregulation. It is a criti-cism of the way it has been done. There is no doubt that the U.S.

budget and trade deficits are the basic causes of the current collapse. These twin deficits have undermined confidence in U.S. political and economic leadership. This is particularly evident in Japan — which is nowhere near as much responsible for the U.S. trade deficit as many Americans believe. between 1901 and 1900, the U.S.

trade deficit with Japan increased threefold, but with the rest of the world it rose fivefold. With Japan, the deficit grew in U.S. dollars from \$40 billion in \$58 billion; with the European Community it went from a \$9 billion surplus in 1981 to a \$26 billion deficit in 1986. The deterioration was \$18 hillion with Japan. It was almost twice as large, \$35 billion, with the EC. A oumber of steps need to be taken

as a matter of urgency:

Congress and the White House fortune in one area flows throughout should come to a quiet but speedy

BUDGET

SUMMIT

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U.S. budget deficit this year and a turner 550 oillion cut next year. Congress and President Reagan should be prepared to compromise so that spending cuts in areas including defense can be accompanied by some tax increases. A substantial lowering of the budget deficit would almost certainly be deflationary, but unbalanced American policies have continued so

long that there is cow no other option.

Having come to an agreement with Courses, the president could use the necord to persuade West Carmany, Britain and Japan to undertake appropriate expansionary policies. Ja-pan has started this process, but after a major cut in the U.S. budget deficit it could probably move further.

• Britain should be persuaded to join the European Monetary System. Then the United States, Japan and the EC should consult about ways in stabilize exchange rates. An expanded EMS would be feasible. Wild fluctuations of up to 70 percent between the yen and the U.S. dollar have been very profitable for financial markets but enormously damaging to old-fash-ioned trade, upoo which the wealth of nations depends. The Plaza and Louvre agreements between central bank-ers were an admission that the major economies now recognize the enormous impediment that arises when foreign exchange rates are determined

soley by market forces. • There needs to be an agreement between the major central banks to keep interest rates as low as possible. But America's rates will have to be high enough to attract West German

policies in creditor countries. Those countries whose banks are owed huge sums by countries in South America and other parts of the Third World should immediately forgive half of that debt, conditional upon reasonable policies by the debtor countries concerned. Such a mea-sure should be regarded by the West and Japan as self-interest, not altruism. Most of the heavily indebted Third World countries have already experienced a big decline in living standards which were oever high in the first place. Relieving them of a substantial portion of their debts would give them some hope for the future. If their economies were ex-panding, they would also be buying from the industrialized world.

 President Reagan should commit himself to veto any new protectionist measures from Congress and seek equivalent commitments from

other major industrial states. These steps would revive confidence in the economic leadership of the Western world. That would put a floor under financial markets. They would not return to previous heights, but the fallout could be contained.

Even with these corrective meares, recession is probably inevitable. But if remedial steps are not applied, West will fore a region depression.

The writer, a former prime minister of Australia, octs as a consultant to compa-nies in Australia, the United States and Japan. He contributed this comment to International Herald Tribune.

Let's Have Volcker **Out Front**

By Anthony Lewis

ONDON — A financial world fearful of incompetence in the American government is looking desperately for reassuring symbols. People want a sign that Washington understands the seriousness of the economic threat. They want to see a willingness to put aside political fancies in a search for common purpose.

The eagerness for restored fault in
U.S. leadership is tangible. What actions would be symbolically effective

"Bring Back Volcker." That was the heading on a letter published in Londoo the other day. The same sentiment could no doubt be found in other international financial centers. Paul Volcker made his mistakes as chairman of the Federal Reserve Board, but there is immense international confidence in his conpartisan financial judgment. To bring him back into the picture would be a potent symbol of reason and determination.

in the task of restoration?

What might Mr. Volcker do? He could be brought in as secretary of the Treasury in a reshuffle of the Reagan cabinet and White House staff. Or he could be a special ambassador to organize an argent international meeting on the financial crisis.

Such a meeting would itself be an important symbol. We have learned in the last two weeks how technological charge has created a single world financial market. Any shock in To-kyo or London or New York reverberates on the other markets at once. More than ever, the Western economies must hang together — or sepa-rately, as Ben Franklin said.

The purpose of a conference would be to demonstrate that the political leaders of Europe and Asia and America understand their countries' interdependence and are ready to put aside narrow self-interest and ided of for gesture in restoring confidence, but there is a catch: It has to work.

The gloomy precedent that warns of the risk of failure was the London Economic Conference of 1933, It was designed to take cooperative steps to relieve the world depression, but Franklin Roosevelt torpedoed it. National trade barriers grew worse. So did the economic decline.

A conference now would be worse than useless without undertakings from the major participants before it was held - earnests of commitment to the common purpose of restoring confidence. It is not hard to see what some

of them would have to be. Reducing the U.S. budget deficit is the first requirement. Some economists warn that government spending cuts and tax increases are unwise as the economy faces possible recession. That is logical, but in this case the symbolic need is overwhelming. The world wants to see that Mr. Reagan is ready to put aside the ideological obsessions that have led to profligacy.

In return for evidencing fiscal reand Japanese investment to fund the straint at last, the United States will U.S. trade deficit. Central banks have want commitments from its key ecoalready bought up to \$90 billion in U.S. government securities to stabilize the dollar this year. There is a and Japan will have to take the risk limit to what they can do. America of some inflation and expand their international cooperation.

The American symbols needed are not limited to steps by the executive branch. Something is required of Congress, too, and no one can be in any doubt what that is. It is to give up the effort to pass a protectionist trade bill.

Can anyone imagine a surer way to international financial ruin than final passage of Representative Richard Gephardt's trade bill? It would evoke memories everywhere of the Smoot-Hawley Act, the tariff increase of 1930 that intensified the collapse.

But in the American system the main source of leadership has to be the White House. Only a president can rally the people in difficult times, reason with Congress, overcome dif-ferences with allies.

To say that is to recognize the essential difficulties of economic confi-dence-building today. Mr. Reagan cannot himself restore confidence in New York or London or Tokyo, because everyone in the financial world knows that be does not understand the problem. Facing a profound threat to his country, he spends his time reading out preposterous diatribes about the Senate and the annurus Court. That is why Mr. Volcker's return would be more than a symbolic ges-

ture. He would not come back to public office unless he could act effective-ly. If he came back under such terms, President Reagan would have to stop uttering his economic fantasies. He would have to follow Mr. Volcker's lead, and that would matter.

The New York Times

The Good Scenario is the Complex One

Other Comment And Then Off We Go Again?

Back to Space Defense

This week, defense ministers from NATO gather in Monterey, California, in a mood of celebration. The summit in Washington is finally fixed for Dec. 7, when President Reagan and Mikhail Gorbachev will sign a deal banning intermediate and shorter-range nuclear missiles that represents almost exactly what NATO has been seeking for the past six years. Backslapping over, the ministers will turn to consideration of their next problem: how to fill the "gaps" in their nuclear armory which will be left when the cruise and Pershing-2 missiles are gone. To those not privy to the arcane calculus of nuclear deterrence, it may seem odd - not to say absurd - to remove nuclear weapons with one hand only to replace them with the other. Yet that is

exactly what NATO intends to do. The new deployments are known in the trade as "compensatory adjustment," a phrase designed to saminze the unpleasant truth: that NATO is so booked on nuclear weapons that even a deal meeting its every expectation, and in which the Soviet Union has to give up a thousand more nuclear warheads than the West, is not good enough. Historic it may be, but it still needs to be compensated for in the only currency NATO apparently understands, nuclear

warheads. NATO should think again. For if the West is entitled to "compensatory adjustments," is oot the Soviet Unioo entitled to them, too? It would be the ultimate irony if an agreement that for the first time reduced the nuclear arsenals should prove the signal for a new buildup. That is the way to give disarmament a had name.

— The Observer (London).

State Should Behave Itself

The State Department must come to two realizations. First, pared down budgets are a fact of government at this time. State thinks it performs an essential function, and that is true, but oo agency of government today receives the amount of money it thinks it deserves. Thus, it should be a priority of all agencies. State included, to develop the wisest, not the most alarming, savings. Second, the department must realize that its seeming distaste and disdain for Congress's traditional and legitimate role have taken their toil, and it must begin to repair the damage.

— Representatives Dan Mica, a Florida Democrat, and Olympia Snowe, a Maine Republican, the chairman and the ranking Republican of the House Foreign Affairs vanitee on international operations, writing in The Washington Post.

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RENÉ BONDY, Deputy Publisher • ALAIN LECOUR and RICHARD H. MORGAN, Associate Publishers FRANÇOIS DESMAISONS, Circulosion Director • ROLF D. KRANEPUHL, Adversing Sales Direct International Herald Tribune, 181 Avenue Charles-de-Gaulle, 92200 Neuilly-sur-Seine, France Tel.: (1) 46.37.93.00. Telex: Advertising, 613595; Circulation, 612832; Editorial, 612718; Production, 630698. Directeur de la publication: Walter N. Thayer.

Directeur de la publication: Walter N. 1 nayer.

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S.A. pu capital de 1.200.000 F. RCS Namerre B 732021126. Commission Pariaire No. 61337

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WASHINGTON — The expect-ed happened. The financial meltdown on Wall Street sent shivers through the United States, with nu-merous comparisons of October 1987 with the crash of October 1929. Five years ago House Speaker Tip O'Neill said that President Reagan was a smiling Herbert Hoover. That com-

parison now seems extremely apt.

The United States, superpower that it is, became a debtor nation in 1985, and its debt has snowballed steadily to the point that some it delegate a har-ruptcy in the mid-1990s under the weight of a \$1 trillion debt. Reaganomics brought a 1981 tax cut and an expensive military buildup that have generated a huge budget deficit, high interest, unwarranted strength in the dollar and a chronic trade deficit.

Mr. Reagan has so far rejected a tax increase. He has chosen instead to hold the dollar artificially lower against the yen in a failed attempt to cut the trade deficit. Without a correction of the present course, the anoual trade deficit threatens to swell to well beyond \$100 billion in the next several years. The result would be more debt and greater de a dence on other countries, especially Japan, to invest the capital needed to generate invest the capital needed to generate interest payments and moderate the deficit. The stock market plunge may thus be the early symptom of the failure of the "soft landing" scenario and the signal that a much more jarring "hard landing" is to come.

Repeated interventions by central banks in the Group of Five (Britain, France, West Germany, Janan and the

France, West Germany, Japan and the United States) after the 1985 Plaza omical States; and the 1785 Louvre agreement have pulled the dollar from the brink by injecting \$70 billion to \$80 billion. The result has been a sharp increase in the money supply and more inflationary When the Federal Reserve Board taised interest rates early in September to prop up the dollar, it was seen as a signal of still righer interest rates to come.

As the Bank of Japan and the Bundesbank moved their own poli-

cies toward higher interest rates to

By Yoichi Funabashi

thwart creepiog inflation, U.S. Trea-sury Secretary James Baker sought to halt the move. Then markets sensed that the Louvre agreement on currency stability was just talk.

The point is that the United States is oo longer the economic world leader. It is the country with the biggest debt. living on a hand-to-mouth combination of clever dollar-cheapening Markets seem to regard the United States now as being incapable of a solution, and to consider Japan, despite its strength as a creditor, as being unwilling to be the "inter-national lender of last resort." Where will it all lead? Here are

three possible scenarios: Scenario 1, the worst case, sends out a wave of dollar selling within a few weeks, taking the value above the 130yen range. Interest rates skyrocket and inflation fears lead Japanese institutional investors to pull away from their U.S. investments. That sends the dollar lower and freezes consumer spending. The U.S. Congress enacts a rotectionist dade backage. Scenario 2 is less drastic. The mar-

ket, disappointed with America's in-

ability to cut its deficit, puts more pressure on the dollar. Selling do-presses the dollar lower than 130 yen by mid-1988. Anxiety over creeping inflation and rising interest rates re-sults in a worldwide recession in 1988. Scenario 3 is the most desirable, but the most complex. Stock prices edge lower, but a tight money supply stabilizes the dollar, limiting the trade deficit. Mr. Reagan and Con-gress cooperate on an aggressive combination of budget-tightening cuts and higher taxes. The combination convinces central banks in Japan and West Germany that drey should ease their own monetary policies. The effectiveness of such measures would depend on the changes during the first six months, when the growth rate

would be expected to be nearly zero.

Despite the obvious wisdom of the

last scenario, no one could deny the real possibility of the first, worst-case scenario coming about. How could the best of the three paths be attained?
The United States needs to show fundamental budget-cutting, revenue-

raising action to the world as quickly as possible. The business climate is crucial, because intemperate cuts could only make things worse. Congress should climinate protectionist mage from its trade bills, because such measures could undermine the already weakened deltar. The notoriously protectionist Smoot-Hawley Act of 1930 must not be repeated. The Federal Reserve should estab-

lish credibility with a clear policy on money supply, and Japan and West Germany should follow suit. A new world monetary system is essential for a solid policy coordination. G-7 countries should explore the possibility of forming something like a flexible tri-partite currency target zone that might combine the European Monetary System with a yen-dollar target zon The task before Noboru Takeshita

Prime Minister Yasuhiro Nakasone's successor, is in maintain the current fiscal stimulus policy, implementing the recommendations of the Mackawa report to shift Japan's economy from its export emphasis to one led by domestic demand, and to promote vigor-ous policies to recycle Japan's trade surplus to the rest of the world. The stability of the world's economy will depend on how the trade surplus recycling is conducted. If it fails, Japan might eventually be labeled the insti-gator of a worse financial meltdown. In addition, Japan should resolve its trade friction with the United States on such issues as closed bidding on Japan's public works projects and per mitting foreign rice growers access to the domestic market. This would help assuage the U.S. Congress and ease the threat of protectionist legislation.

The writer, a former Washington correspondent for the Asabi Shimbun, is a visiting fellow of the Institute for International Economics in Washington. © 1987 Asahi News Service.

100, 75 AND 50 YEARS AGO

1887: In the Next War

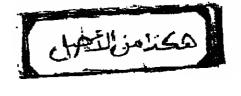
PARIS -- General Count Waldersee, who is regarded as the ultimate suc-cessor of Count von Moltke, said recently in a conversation with the Bavarian Minister to Berlin: "In the 15,000 Turkish soldiers who deserted next war with France, I do not believe that Germany will be supported lieve that Germany will be supported approaching Constantinople, plun-by Austria. My last sojourn in Mora-via convinced me of that. But Italy, pass. Stamboul is flooded with who always fears that the French Catholics wish to restore Rome to the Pope, will make common cause with us. Her army of 280,000 men would cause an important diversion, and 1937: For the Fallen would assure our triumph."

1912: Panic in Turkey

CONSTANTINOPLE - The news of the Turkish reverses is slowly fittering through to Constantinople, and, owing to the increasing uncertainty and alarm, the population is growing more and more apprehensive. There are evidences on every hand that grave trouble is approach-

ing. From all quarters many doubtful elements are converging on Constantinople. Fierce Kurds roam about conversing in angry whispers, as if they were inciting each other to acts after the disaster at Kirk Kilisse are hungry refugees, who have been driv-en into the city panic-stricken by the advance of the Bulgarian armies.

PARIS — A gray sky and the slow, vibrant notes of the bugle encased the homage paid yesterday [Nov. 1] oo Toussaint at thousands of French consteries to the French Levil, in the tiny villages of France, the ceremo-nies were simple; in Paris and sur-rounding towns, high governmental officials and representatives of almost every nation joined in tribute to the 1,357,800 who fell two decades ago.



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By Anthony Lewis I ONDON — A financial work
fearful of incompetence in the perately for reasoning symbols has ple want a sign that Washington to desirands the seriousness of the economic threat. They want to see willingness to put aside political labelies in a search for common purpose willinguess to pur aside political la cies in a search for common purpor.

The eagerness for restored lath in tions would be symbolically effects the circle of restoration?

thous would be symbolically effective in the task of restoration?

Thring Back Volcker." That was the heading on a letter published in the heading of the following the found in the following the following the following the heading of the Federal Reson the heading of the Federal Reson mational confidence in his unaparities the partner would be a pour interest the preture would be a pour what might Mr. Volcker do? He could be brought in as secretary of the could be a special ambassador to organize and White House staff. Or he could be a special ambassador to organize an augent international meeting on the financial crisis.

Such a meeting would itself be an important symbol. We have learned in the last two weeks how technological the last two weeks how technological the last two weeks how technological transfer in the last two weeks how the last two weeks have the last two weeks how the last two weeks have t cal change has created a single world financial market. Any shock in To-kyo or London or New York rese. berates on the other markets at once More than ever, the Western com-

More than ever, the Western economies must hang together—or separately, as Ben Franklin said.

The purpose of a conference work be to demonstrate that the political feathers of Europe and Asia and America understand their countries into the condition of the con dependence and are ready to put aside nurrow self-interest and ideology for common goals. It could be an effective gesting in restoring confidence, but there is a cateful it has to work.

The gloomy precedent that warns of the risk of failure was the London Economic Conference of 1933. lt was designed to take cooperative steps to relieve the world depression, but Frankiin Rooseveli torpedoed it Na bonal made barriers grew worse S did the economic decline.

A conference now would be work than useless without undertaking from the major participants before a the common purpose of restoring on-fidence. It is not hard to see what som of them would have to be.

Reducing the U.S. budget deficit a the first requirement. Some econ-mists warn that government spending cuts and tax increases are unwise a the economy faces possible recessor. That is logical, but in this case the symbolic need is overwhelming. The world wants to see that Mr. Reagms ready to put aside the ideological ob-sessions that have led to profileacy.

In return for evidencing fiscal restraint at last, the United States w want commitments from its key at nomic partners to more relaxed menttary policies. That is, West German and Japan will have to take the lit-of some inflation and expand the economies if there is to be meaningle international cooperation.

The American symbols needed at not limited to steps by the execute branch. Something is required of Congress, too, and no one can be in an doubt what that is, ft is to give up it of the control of the c

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O YEARS AGO

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1937: For the Fallen

PARIS — A gray sky and the slow.

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International Herald Tribune Special News Report



Monday, November 2, 198

The Dutch Dilemma

IN THE NEWS

March 19: Port Union Suspends 9-Week Strike

The Dutch transport union suspends a nine-week strike at Rotterdam port while an Amsterdam court considers the union's complaint. About 4,500 workers in the general cargo sector went on strike to protest plans to lay off 350 workers.

Sept. 15: New Budget **Eases Austerity**

Providing respite from past ansterity, the coalition government unveils its 1988 budget to parliament. Finance Minister H. Onno Ruding's budget calls for a trimming in personal income taxes for the first time in seven years. As a result of public spending cuts of 4 billion guilders, the central government's budget deficit is expected to shrink by 0.4 percentage points to 7.2 percent of national income in 1988.

Oct. 1: Dutch Sign 5-Nation Accord on Rhine

Although compensation is still being ne-gotiated for damages caused by a chemical fire last November at a warehouse of the Swiss chemical company Sandoz, the Nether-lands expressed satisfaction with a threestage plan reached by environment ministers from the five states bordering on the Rhine to clean up the river by the year 2000.

Oct. 5: Villages Protest Refugee Settlement Plan

Several villages in the southeastern part of the Netherlands stage demonstrations against the government's effort to place newly arrived political refugees outside the traditional settling points of The Hagne and Amsterdam.

Oct. 26: Government Takes A Stake in Fokker

The government announces that it would take a minority stake of up to 49 percent in the aircraft maker Fokker as part of a financial rescue package reached with the com-pany's banks. Under the accord, the firm, NV Koninklijke Vlieguigenfabriek Fokker, would receive 527 million guilders in new funding from banks and the government.

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Strains of Conscience

On Permissiveness **And Stormy Skies**

By Peter Brusse

MSTERDAM — A year ago, in a Paris hotel, I overheard a con-versation of American lawyers who were attending an international conference. One of them said: "I love Europe. I go there as often as possible. France, Italy, Germany, but not to Holland anymore. Amsterdam used to be great. It is limished. Rotten to the core. A

shame. Don't go there."

I was shocked and offended. How different from the postcards I used to get from foreign friends telling me: "Apart from the dogs, Amsterdam is such a love-

In the last months, waves of bad news coverage have been hitting our dikes. Time magazine asked in a cover story: "Has permissiveness gone too far?" The German weekly Der Spiegel followed suit, and the British magazine The Economist stated in a survey on Holland: "Europe's nealest and tidiest country is beginning to look a mess." And it was not just the dogs. Amsterdam, it was said, had its virtues of tolerance and pleasantness thrown away. It now was a violent city of beroin addicts, child pornography and

canal muggings.

Reactions in the Dutch media were often fierce. A Dutch journalist who had worked on the Time article was accused of betraying his country. Editorials proved that we are more nationalistic than we dare to admit. They spoke in terms of the American slogan during the Vietnam War: "Like it or leave it."

The problem, of course, is that most of the articles in question were written by foreign visitors who had already left.

Some commentators reacted with an "I told you so." The Foreign Office gave instructions to the Dutch embassies on how to give a positive picture of the

PETER BRUSSE is deputy editor-inchief of the Dutch newsmagazine Elsevier. Netherlands. Our exporters reassured the nation with: "Our trade is not threatened

by the adverse publicity." And, as so often in our history, the Dutch group together and pray: Oh Lord, let the storm die out.

We know that we are misunderstood.

We are different but tend to forget that all countries proud of their identity are different and have different views.

We often give the wrong impression. I went to England as a correspondent during the Swinging Sixties. It was the era of the Beatles, Carnaby Street and Mary of the Beatles, Carnaby Street and Mary Quant. I experienced that time as a celebratinn of new freedom. Anything seemed possible. It was great fun. The Netherlands, too, went through a playful era. But seen from England, I was aware of a typically Dutch moralistic streak. Anarchistic youngsters (along with members of the Amsterdam City Council) disrupted military tattoos by emptying buckets full of colorful marbles in front of the soldiers. The soldiers lost their of the soldiers. The soldiers lost their balance and behaved as if they were walking on ice. It was fun but serious as well. It was the expression of strong anti-military feeling.

And Holland being Holland, the antiauthoritarian, permissive movement was bound to reach the church, mainly the Catholic Church (a third of the popula-tion was registered as Roman Catholic). Dutch priests got worldwide attention either by marrying homosexual couples or by getting married themselves.

I remember going to a London dinner party, where I met a local parish priest. He accused his Dutch brethren of being heretics and talked of the Dutch church as a new Sodom and Gomorrah. I tried to explain that those married priests were far from sex-mad creatures but very sincere men. They were struggling for the truth in a permanent fight with their conscience. They were not lighthearted escapists; they were beavy-going moral-ists. I argued that he should not forget that the Dutch Catholic Church was, as



We know we are misunderstood.

Dutch society itself, impregnated by Cal-vinistic puritanism. "If you want to understand our character, you have to look at the skies in the Dutch landscape, They are heavy and gray and always on the

I wonder if the nice London priest is still around. If so, be should visit the beautiful exhibition of 17th-century Dutch landscapes in the Riksmuseum in Amsterdam. In its catalogue, the art historian Josua Bruyn argues that those famous landscapes of Rembrandt, Ruisdael and Goven, are not a glorious expression of a proud and new Dutch Republic. These "revolutionary, realistic" paint-

ings, Bruyn believes, are in fact morality tales. They are warnings against the sins and vanity of life on Earth. The dilapidated farmhouse shows the vice of idleness the inn is the temptation which the pilgrim on his path to the eternal light should avoid. He should cross the bridge of Christ the Redeemer. The drinking parties in the brothels remind the fearful people of the dangers of pleasures of the flesh. They are "painted sermons" and should not be seen as the titillations of a

17th-century permissive society.

Of course, it would be silly to suggest

Continued on page 9

An Uphill Road

Austere Years Bring Some Signs of Relief

By Giles Merritt

HE HAGUE — During the darkest years of recession in Europe, when the economic diagnosticians were identifying first the "British disease," and then the "Belgian disease" and the "Italian disease," the Neth erlands seemed a haven of economic good health. The only malady that could be tracked to the Netherlands' door appeared in be Dutch elm disease

But that was in the 1970s, when the combination of scarce expensive energy and peak production in the Netherlands' vasoffshore reserves of natural gas were giving the Dutch economy a major boost. Nowadays, that scale in gas bonanza is a thing of the past. And although the government led by Ruid Lubbers has pursued some courageous and effective economic policies the Netherlands is nevertheless finding it an uphill struggle to achieve economic well-being in the 1980s.

When Mr. Lubbers' Christian Democrat-led coalition first

gained power in 1982, it promptly introduced an economic austerity program designed to curb the snowballing government deficit and reverse the expansion of the public sector. The toughnew strategy for slashing public spending in areas like welfare bealth and housing at first provoked bowls of protest, but it has this year given the government enough leeway to announce that it is easing austerity and cutting taxes.

One of the main achievements to date of the Lubbers govern-ment, and of Finance Minister H. Onno Ruding, has been that it has convinced the Dutch electorate that propping up lame duck industries like steel, shipbuilding and textiles with state subsidies is to substitute for an industrial policy, Instead, Mr. Lubbers has concentrated on measures that boost corporate

The result has been that for the average public company in the Netherlands, the return on equity has doubled to 12 percent while manufacturing has soared. It is 40 percent above the level at the start of the 1980s and has thus increased by about four

times the average elsewhere in the European Community.

The new emphasis on streamlining the Netherlands' industrial base and making Dutch manufacturing more competitive has paid political dividends for Mr. Lubbers. When he took his center-right coalition to the polls in May of last year, he was reelected to a second term with a comparatively safe margin by Dutch political standards. view from outside the Netherlands of the Lubbers

Continued on page 8



"God created the world, but the Dutch made Holland." That's how one observer tried to define the greatness of the Netherlands.

A fitting remark, in our opinion. Because it says worlds about the massive efforts the Dutch have made to turn their damp and marshy country into a prosperous nation.

The never-ending struggle against the sea has always played a major role. But equally important was the intensive world trade which allowed this insignificant 17th-century Holland to develop into an economic power of enormous significance.

The repercussions of those past efforts can still be felt today. It's no coincidence, for example, that the Netherlands is one of the world's most interna-

tionally oriented countries. That it has such a highly developed infrastructure. A strong private sector and a stable currency. Not to mention its extensive financial and economic ex-

perience and know-how. All of which adds up to an extremely Interesting picture, particularly for foreign

The efficient domestic organisation of the Netherlands is no coincidence either. After all, a small and densely populated country can only operate efficiently with the help of a finely tuned organisation.

As soon as you decide to invest in the Netherlands, you'll become pleasantly acquainted with this high degree of organisation. And you'll discover that, thanks in part to our country's compact size, we can open a great many doors for you. No matter which locution you choose.

You'll always find government agencies and institutions relatively close to your base of operations. Which provides you with quick access to all the facilities vou need.

So you can work efficiently. Save a lot of valuable time. And achieve high returns. In order to make

expen advice available to you from the very start, we've set up the Netherlands Foreign Investment Agency: An organisation which is there to help you, with the sober realism you'd expect from the Dutch.

We also open doors for you. By advising you on the best possible site for your operations. By showing you a wide range of distribution and transport services. And by familiansing you with the world of subsidies. We'll also establish the necessary contacts. And provide you - upon request - with a careful cash-flow analysis.

In short, our agency will make every effort to ensure that your move to the Netherlands is a success-

It's up to you to take the first step. If you would like more detailed information about investing in the NETHERLANDS FOREIGN INVESTMENT AGENCY

Netherlands, write or call us. Or contact our consultant in your own country.

In the Netherlands:

Netherlands Foreign Investment Agency, Office for Europe, P.O. Box 20101, 2500 EC The Hague. Mr. Hubert Tabbers, Phone: (31)(70)797029/797645. In the United Kingdom:

Peter Biddlecombe Associates, 6th Fioor, 6, Vigo Street, London W1X1AH, Phone: (1) 4375927.



The Netherlands. A great country for investment.

To Cut Health Costs, Dutch Test Competition

By Ronald van de Krol

MSTERDAM — Four Dutch hospitals are soon to find themselves pushed into competition with a commercial-ly operated health elinic as part of a government experiment aimed at finding ways to control the skyrocketing cost of the public

Starting in January, the four hospitals in and around the city of Nijmegen will each be required to set up a diagnostic clinic to compete with a private clinic that will be run by Dr. J.B.J. Boerema, an prologist who hopes to create a chain of private health clinics in the

The experiment is designed to see which side

the traditional hospitals or the profit-minded private clinics — can carry out blood tests and other diagnostic examinations at the lowest price and with the highest degree of care. "The goal is also to see if this kind of set-up

is even possible in Holland. So far, the present system makes oo room for the profit motive," said a spokeswoman for the Ministry of Welfare, Health and Cultural Affairs. Despite the novelty of the Nijmegen experi-

ment, the Netherlands, with its long tradition of state-regulated public health care, is oot on the verge of privatizing health care.

But the fact that the experiment is taking place at all reflects the sense of urgency about

deciding how to finance the extensive public health system in the years ahead. The oeed to make decisions for the future is especially acute because of the "graying" of the population and the cootinued same in revenue from the country's natural gas fields that have freeled and envisioned its restal and analysis.

have fueled and sustained its social welfare system since the late 1950s. There have been any number of reports in post-World War II era begins to reach retire-

The experiment reflects a new sense of urgency about finding a solution.

the past which show that if something isn't done, health care as we know it will simply become unaffordable," the ministry spokeswoman said.

For a country that prides itself on providing good, affordable health care for all, regardless of income or age, the difficulties ahead are obvious and worrying.

The Dutch population is aging rapidly and living longer than before. This, combined with medical advances in heart disease and cancer treatment, means that the cost of health care -already equivalent to one-tenth of gross ritional product (GNP)—is bound to rise. _ problem is compounded by the fact that the working population, which largely funds the

health and social security systems, is expected to shrink in the next century compared with the size of the elderly population.

The most difficult time for the health and social security systems will be the years 2010-2030, when the baby boom generation of the ment age. In 2010, for example, about 3.56 million Dutch people will be over retirement age, twice as many as in 1987, but the overall

population is oot expected to be significantly higher than today's 14.57 million.

With this in mind, the government appointed a panel headed by Wisse Dekker, former president of the Philips electronics group, to draw up recommendations for the future structure and formering of the health system. ture and financing of the health system.

The so-called Dekker Commission recom-

mended earlier this year a radical restructuring of the health insurance system.

lts overall recommendations are complex, but they boil down to this: the national health insurance scheme should be transformed into a compulsory, basic package covering 85 percent of possible health risks and costs, such as visits to the doctor, hospitalization and surgery. Peo-ple would then have the option of taking out private health insurance to protect themselves against the remaining 15 percent of potential health problems and costs, such as dentistry, physical therapy and medicines.

The commission argues that health care costs can be kept down by injecting into the system more competition among health insur-ers and by making patients more aware of the true costs of care by, for example, giving them the choice of whether or oot to take out supplementary private coverage. But it also rejects the idea of giving market forces free rein.

"The proposed strengthening of the market orientation of the system is meant only to create greater flexibility . The quality of and access to care must be safeguarded under all conditions," it said.

Under the current system, about 70 percent of the population falls under a compulsory state insurance scheme that provides most services free of charge, such as treatment by

doctors and specialists, stays in general and psychiatric bospitals, medicines, and some

To qualify, people must earn less than 49,150 guilders (\$24,575) per year. The insurance premiums are roughly equivalent to 10 percent of wages, with both employees and employers contributing to the costs. People who earn more than 49,150 guilders are free to take out policies from private insurance com-

If the Dekker Commission report is implemented, the division of employees into com-pulsory and privately insured groups would end, but people who once enjoyed full coverage under the old scheme would now be covered for only 85 percent of risks if they do not take out additional private insurance.

The government has yet to take a firm stand on the commission's findings, but it is not expected to endorse them in their entirety. Parliament is to debate the report this fall.

Lower income groups would see the quality of their health care decline if they could not afford the extra private insurance. People with higher earnings, by contrast, would have fittle difficulty in taking out additional insurance.

"People living on state benefits will hardly be prepared to insure themselves against the 15 percent portion that is oot included in the basic health package," the head of Utrecht's health service wrote in a recent newspaper article. "If they can't pay, the social welfare office will have to foot the bill provided, that is, it is able to do so. If it can't, then we'll have the same state of affairs as in the U.S., where large groups of people have oo access to certain types of care."



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RON VAN DE KROL, a journalist based in Check or checkmate: Living longer means higher health costs.

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Economic Front: Austere Years Bring Some Signs of Relief

Continued from page 7

government's economic management is also moderately upbeat. Economic analysts at the Parisbased Organization for Economic Cooperation and Development (OECD) believe that the past five years have seen some significant accomplishments.

"In many respects," said the OECD's experts recently, "the new strategy adopted by the authorities in 1982 has had a considerable measure of success: Growth of output, investment and employment have all increased, the job-less rate has declined, the central government deficit has been substantially cut back and the inflation rate is one of the lowest in the OECD area. Furthermore, with domestic demand beginning to take over from exports, growth in 1986 was more soundly based." "However," the OECD's analy-

opments cannot mask the large mbalances that remain. At about 13 percent of the labor force in 1986, the unemployment rate is still one of the highest in Europe. The central government deficit is in excess of 6 percent of national income, resulting in an increase in public deht which has oow reached a level equivalent to 70 percent of GNP."

Mr. Ruding's reading of the economic situation has nevertheless been upbeat enough to permit him to relax some of the stringency that has been such a hallmark of the Luhbers government since 1982. In mid-September, at the Prinjesdag ceremonies in The Hague that mark the opening of the parliamentary year, Mr. Rud-ing unveiled a 1988 budget that was mild by the standards of previous years and had as its center-piece 1.35 billion guilders (\$670 million) in tax relief.

the personal income tax rate in the Netherlands is to be reduced. Mr. Ruding has argued consistently that any leeway in the government's finances should be used to trim back the huge budget deficit. hut political imperatives and the urging of his cabinet colleagues elearly won the day. The result of the tax cuts is that household disposable incomes in the Netherlands are due to rise appreciably next year — by an average 452

guilders per taxpayer — at the same time companies labor costs will be reduced. The new budget is, however, hardly a giveaway package. The spending cuts that have sliced deep into the country's public sector and its sprawling government departments are to continue next year. Civil servants' salaries are to be reduced, the payment of certain investment subsidies is being temporarily frozen, welfare benefits

are to be shrunk and the budgets of government departments also are to be cut.

In all, the government spending cuts next year will total 7 billion guilders, so once extra expenditures for 1988 are taken into account, the oet saving works out at some 4 billion guilders. That will reduce the central government budget deficit by 0.4 percent so that it will stand at 7.2 percent of the national income (the Netherlands' version of GDP, which allows for depreciation).

In short, Mr. Ruding's decision to relax economic austerity means that the government will margin-ally overshoot its own target of reducing its 1988 budget deficit to 7 percent of national income. Total spending will be 168 billion guilders and revenues will be 144.4 billion guilders, and the public sector borrowing requirement, at 0.4 percent, will be slightly higher than this year's 0.3 percent.

term strategy, encompassing the budgets between 1987-1990, has four basic targets: to further re-duce the budget deficit to 5 per-cent of national income; to avoid increases in income tax and social insurance contribotions; to further cut the ournber of unem-ployed from 700,000 today to 500,000 by 1990, and to stabilize both the cost of social benefits and the incomes that can be derived

Yet the outlook for the Netherlands' extremely vulnerable export-minded open economy is not too rosy. Although the Lubbers government has performed credit-ably in such areas as job creation, where it has made some encouraging inroads into the 1985 unemployment total of 840,000 people, and in the stimulation of a more dynamic climate of enterprise, the forecasters paint a somber picture. The OECD's forecast points to

GILES MERRITT is a journalist

slower output growth and weaker export performance, with a conse-quent deterioration of the balance betweeo reveoue and public spending. The Central Plan Bureau, a semi-independent agency, sees the Dutch economy expressed as GDP dropping by a half a point to 1 percent next year, which would push it substantially down against the expected European Community average of 2 percent.

Growth has understandably been the chief victim of the Rud-ing austerity drive. Since 1982, it has averaged only 1.9 percent a year, against an EC average of 2.2 percent, and now even official government forecasts see still greater stagnation during 1988. For Mr. Ruding, the reform and streamlining of the economy represents a long uphill road.

based in Brussels.



Engineers in the automobile industry are developing sensational ideas for replacing mechanical constructions with modern electronics. But some ideas are too advanced for practical application. For example the petrol cable.

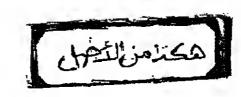
The idea is to install a tiny transmitter under the accelerator, which would send impulses to a precisionreceiver near the carburettor or the fuel injector. This receiver would control the fuel flow which the driver. regulates via the accelerator pedal. Butfine electronic components like these are extremely vulnerable.

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health costs.

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port performance, with a conssent deterioration of the balance etween revenue and public sending. The Central Plan Bumu, a semi-independent agency, ses the Dutch economy expressed GDP dropping by a half a point > 1 percent next year, which could push it substantially down gainst the expected European community average of 2 percent

Growth has understandable seen the chief victim of the Rud ne austerity drive. Since 1982 is are averaged only 1.9 percent i rear, against an EC average of 12 percent, and now even official government forecasts see still For Mr. Ruding, the reform and secondining of the economy opsesents a long uphill road.

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Stubborn Jobless Rate Defies Easy Cure

By George Gudanskas

HE HAGUE - The taxi driver, easing his cab away from the curb, said he was unsure whether he could get through rown because a labor strike had disnupfed morning traffic.

Some civil servants were angry, he

because the government had sed high-level workers a small raise but had offered nothing to

those below.

When you have that, you have trou-

Strikes, once almost unheard of, are a nest though small part of the overall labor picture in the Netherlands, where the government has adopted an austerity program to fight a budget deficit and shrinking revenues.

Persistently high unemployment is the main labor worry, with as much as Higher and the work force, or 681,400 beople, idle, most for long periods of thine. Although this is less than its 1984 peak, when 822,000 workers, or 17.4 percent of the work force, were idle, the solders rate still is among the highest in Europe. And it may go back up again. some say, with an expected economic

The Organization for Economic Cooperation and Development said re-cently that the Dutch labor market of about five million "is in a considerable

A rapid inflow of young people and women, often seeking part-time work, is occurring at the same time as older workers are leaving the labor force more rapidly, through retirement plans

and phaseout programs.

Job needs and wants are often difficult to match in certain markets, the report said, increasing unemployment. The study also said that a "large and growing share" of the unemployed are

poorly educated, lack appropriate skills and come from declining industries or from construction. Many are staying jobless longer. Most worked previously in low-paying jobs and, if they find work, are likely to

be paid low wages.
"In contrast," the report said, "increases in employment are concentrated in higher skill jobs, a trend likely to

Jean-Claude Paye, secretary-general of the OECD, recently told the Europe-

an Parliament: We are living in a time of far-reaching change, the crux of which is probably to be found at the intersection of three areas: international trade, scientific and technical progress and changes

in human society.

"If our countries find it so difficult to find effective lasting and socially acceptable solutions to the unemploy-ment problem, which is undoubtedly the most dangerous threat, it is largely because we do not fully understand these changes."....

priority for the government, although critics claim that it is second to eliminating the budget deficit. They also say that job creation is failing to meet de-

In his budget message to parliament in September, Finance Minister H. Onno Ruding predicted increased employment next year.

Mr. Ruding said that 25,000 more people would be put to work, boosting the number hired in recent years to 385,000, an average annual increase of 1.5 percent, against a 0.5 percent average in the European Community.

Nonetheless, the level of registered unemployment in the Netherlands remains high, owing to the sharp increase in the number of people joining the labor market, compared with other countries," he said.

He urged wage restraint and further cuts in public spending as part of an economic growth plan that is designed to help increase jobs and trim the deficit to 7.2 percent of national income. He said the government had set aside

extra money to improve employment in 1988 to bring the total to more than 1 illion guilders (\$500 million). The aim is to reduce unemployment

to under 500,000 by 1990, a goal some feel is unattainable because of declining economic activity. As an OECD report released in Au-

gust said: "Further progress in reduc-ing the large budget deficit and bring-ing unemployment down to more acceptable levels may prove more difficult than envisaged by the authorities in the 1987-1990 budgetary program."
Asked if the goal could be met, Frans

H.A.M. Kruse, director-general for employment in the Ministry of Social Affairs and Employment said, "I don't

He said that more people can be trained for jobs but that he didn't think labor opportunities would grow enough to compete with the growth of demand. That's our main problem," be added.
As a result, Mr. Kruse said, the gov-

ernment is directing its main efforts at "stirring," or "recycling," employment.
"We accept the effects of substitution in the market. We give one a chance at the cost of another one. That's our main policy at the moment,"

He also questioned whether the Netherlands, with a population of 14.6 million, will ever need a labor force of five million again. And he disagreed with the govern-

ment's "free market" priorities. He ar-gued that public works projects, while not effective economically, are socially acceptable and could help crase a problem with high social consequences. "I think there are more opportunities

the national market, especially public activities," he said. Mr. Kruse predicted that, if the administration of Prime Minister Rund

reducing unemployment to under 500,000 in the next two years, his policies will change.

In an analysis of economic trends, officials of the U.S. Embassy said in June that the Dutch government's employment programs have not succeeded in significantly creating new jobs.

"Indeed, the government's key youth employment scheme depends on finding municipal jobs at a time when austerity is reducing civil service ranks," the analysis said.

"It appears that slower growth may cut the rise in employment this year in balf," it said. "If so, the labor market would barely be able to absorb new entrants and unemployment could grow next year as economic expansion slows still further."

RITICS of Dutch policies argue that high marginal tax rates, a minimum wage that is almost double that of the United States, and a liberal incomesupport system create disincentives.

In its study, the OECD said a decline in the minimum wage might encourage demand for labor, since many of the unskilled jobless likely to be hired would be given jobs at a wage near the

However the report questioned what the response might be to a reduced minimum in the face of a generous income-support system," one of the most elaborate in Europe. The study said further reducing joblessness might require more changes in the system than now envisioned.

"But this obviously depends on na-uonal preferences and the value attached to noneconomic criteria, such as maintaining social cobesion and

the largest business and industry group, said his members realize that "in no way can you have flourishing business in the long run if you will continue to be faced with unemployment of that mag-

"Socially, it's unacceptable," he said, but noting "It's very tough, very, very tough to not only find the measures, but to get agreement on the basic legislation that has to be made in order to get these people to work."

"You can train them," he said, "but you have to have jobs at the same

His organization's lobbying effort is geared to reducing the minimum wage, long a sacred cow in the country, to help diminish unemployment Another issue is the reduction of the

work week, from the current 38 hours to 32 by 1990. The large unions favor this move, but employers claim it would be too costly if wages are not reduced as well. The government has officially supported a shorter week.

Mr. Van Lede said the federation believes "that the real issue in this country is redistribution of work, which does not equal shortening of the work Part-time labor has been the most

effective way of doing this, he said. Mr. Van Lede termed labor's shorter-week goal "totally unrealistic, and said it was not supported by rankand-file union members. "You can say it was the resistance of

the employers, fair enough. I'm happy to hear that, on the one hand," he said. On the other hand, if they really wanted that more than pay, or income, whatever, they would have pushed it

Henk Leemreize, economic adviser

Coming to Terms With the Tough Jobs Issues



Social Costs

"Half of our labor reserves consists of persons who ore unemplayed for more than one year, and about 30 percent has been unemployed for more than two years. You see an enormous labor reserve that cannot be brought into the labor market again. I think that's our main problem, and it's of course a social problem . . . and it has high risks. . . '

Frans H.A.M. Kruse, government official

Flexibility

"We are of course against forms of flexibility which in practice mean that some workers have all the rights of the warld and some workers have na rights at oll. At this moment there is a hardcore of workers who have all kinds af protection, and there is a fringe af secondhand and third-hand workers who have no protection at all. . . . and that is a very wrong development."

Henk Leemreize, union adviser

Retraining

"We are converting, very successfully, unemployed university graduates into emplayed people. We convert 300 or 400 per year. It's damn successful. . . . But, in terms of quantities, I mean a cauple of hundred converted university graduates into employable positians is not solving the unemployment problem of the country.

C.J.A. van Lede, industry spokesman

ble among his 250,000 organized work-

had repeated wage freezes, the issue is Unionized civil servants are "furious" over the recent plan to grant a small increase to high-level workers

and none in their underlings, Mr.

Leemreize said. More strikes are possi-

ers, who want across-the-board pay in-

GEORGE GUDAUSKAS is a free-

Reading the Dutch Character in Stormy Skies

costly and too complex.

in the 900,000 member trade union fed-

eration, FNV, said, "It's still a big issue,

but the employers are not really willing

to negotiate further reduction in the

work week," claiming it would be too

For public sector workers, who have

Continued from page 7

that the girls in the windows of the Amsterdam red light district (with its canals and 17th-century houses) are the modern warnings against sex, drugs and AIDS. (The annual nightly procession of pious Catholics, the Silent Walk, leads straight through this beautifully dirty district). But having said this, I still cannot escape from the thought that in a moralistic sense, the Dutch want to show that they accept the reality of life. They have nothing to hide. They are tolerant and responsible.

A Belgian poet told me once: "You toward full employment by investing in Dutch are supposed to be a tolerant nation. I had my doubts. But it is true. You have kept that long tradition of tolerance. But before being tolerated,

one has 10 go through a harsh intolerant phase." He said that when he came to the Netherlands, he always felt he was cross-examined on moral issues like euthanasia, incest, cruise missiles, treatment of drug addicts, etc. The questions had to be answered properly. Only then were he and his opinions respected. The poet thought that this aggressive and rather offensive behavior was due to the ridiculously high density of the population. It was impossible to ignore each other. Social control was strict. Like a big family in an overcrowded house, the Dutch knew that the only way to survive was in live

In many aspects, the Netherlands is an overorganized country. Even to ride a horse, one needs a license, issued after a severe examination. But in this coun-

try of laws and rules, children are amazingly free and undisciplined. Already, in the last century, foreigners complained about the Dutch vandals. Friendly Amsterdam has always been anti-authoritarian and somewhat anarchistic. Adults never lose their child-

After 20 years abroad, it was, on my bomecoming, difficult to appreciate the reality of the unruliness of Amsterdam, where even in decent circles stealing a bike is not always considered a crime anymore, I was asked to concentrate on the real issues, the crimes that make Amsterdam really unsafe. The crime rate is lower than in most other capital cides. It is discussed in the media with an astonishing openness and frankness, not so much in terms of law and order but as a moral problem. In central Amsterdam, the rich and the poor, junkies and the yuppies, the squatters and the burghers live next to each other. One often gets the impression that the dangerous and violent addict should be seen as the prodigal son. The Dutch have come to see that

their bumanitarian approach in solving

the drug problem and fighting crime

may have been too idealistic. The times have changed. Even Dutch people have protested against the opening of centers for Tamil refugees near small villages. The villagers accepted their normal duty to accept a few dozen refugees but they could not cope with bundreds of Asians the government had intended to send to a nearby empty monastery. Not

Ten years ago, the Netherlands loved

in see itself as the Conscience of the West. The Dutch were the darlings of the Third World. They favored an oil boycott against South Africa (an idea initiated not by socialists but by members of the ruling Christian Party), and two years ago even the prime minister had soul-searching doubts about the

cruise missiles. The Netherlands is toeing the line again. It is a painful process. We are living in boring times, the editor of the largest quality newspaper remarked, as if our country has fallen back to dull mediocrity where excellence and creativity are suspicious.

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Amsterdam Confronts London With Technology and Tradition

way of persuading institutional in-

vestors to continue to do business

Io addition, the Amsterdam fi-

nancial community successfully persuaded the Dutch Finance

in Amsterdam.

By Ronald van de Krol

MSTERDAM — By this time oext year, the Amsterdam Stock Exchange will have reorga-nized and redesigned its trading floor in accommodate the arrival of video screens and other computer equipment that is intended to keep Amsterdam in step with the technological revolution on world financial markets.

To put it simply, the jobber's order book is going to be fed into a video screen" is how Johan Kooy. director of data processing at the bourse, recently described the

But unlike London, which in last year's "Big Bang" virtually abolished the trading floor in favor of trading via computer termi-

there for good.

ting agents:

well short of allowing market par-ticipants in trade directly through the exchange's new computer hardware and software: the trading floor will continue to exist, at ast for the time being.

This two-pronged approach — introducing far-reaching automation while retaining the bourse floor - sums up Amsterdam's response to the challenges of Big Bang and the threat that trading in Dutch shares and bonds will gradually seep even further to the Lon-

In an interview, Baron van Ittersum, chairman of the Amsterdam exchange, said that the antomation project - which is to be modcled on Chicago's Midwest Stock Exchange and carried ont with its help — is aimed at making share and bond trading in Amsterdam as cost-effective as possible so that investors will prefer to do their

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mean that the plans they have for new

trading in guilder paper here rath-er than in London.

The first phase of the multiyear project will concentrate on the automation of routing orders and trading information, in be fol-lowed later by clearing and set-tling systems and price information. The total cost of the stock exchange's transformation is estimated at up to 30 million guilders (about \$15 million.)

Automation is only one of Amsterdam's responses in the Big Bang challenge. Last year, it introduced the Amsterdam Ioterprofessional Market System (AIM) which, similar to developments in London, does away with fixed commissions and allows institutional investors to trade on a net basis with banks and brokers in deals involving at least one mil-lion guilders in shares or 2.5 mil-lion guilders in bonds. The deals

bond transactions at 1,200 guil-ders, effectively abolishing the tax on deals worth more than one million guilders and thereby stimulating block trading.
The creation of AIM has halted and also slightly reduced the seepage of business to London," Baron van Ittersum said. "The stamp tax cap also helped put us on a more equal basis with London." He added that the exchange would still like to see the tax scrapped altogether. Bankers esti-

for about 20 percent of turnover in Dutch shares and bonds, down from 30 percent only two years Baron van Ittersum described Amsterdam's competitive strategy this way: "Keep the guilder mar-ket in the Netherlands by doing away with the bourse tax and by other measures, but at the same time set up an infrastructure to attract trading in U.S. and Japa-nese stocks to Amsterdam when their own markets are closed."

He said the main difference between Amsterdam and London was that Londoo had abandoned a "central" or "auction" system of trading in which supply and demand of the entire market are brought together at a central point, in favor of a "dealers" system, in which trading is a bilateral transaction between two parties.

"Io Amsterdam we do things differently," he said. "We are maintaining the central market, but alongside that we have also created AIM, which is essentially a dealers' system along the lines of London. Our strategy is to allow both markets to function side-byside and give the parties the choice between one system or the other."

The question of whether the traditional trading floor will always remain a feature of Amsterdam is ultimately up to stock exchange members, Baroo van Ittersum said. Opinion in the Dutch investment community varies widely on how necessary the floor is in mod-

Jan Vroegop, a director of Am-sterdam-Rotterdam Bank (Amro Bank) and head of its guilder trea-sury department, said that looking

ern share trading, and whether the Amsterdam floor will continue to

exist in the long term.

provide a sufficient guide to the market climate. "I believe that seeofficially take place outside the regular market but are seen as a ing each other on the bourse floor, feeling the atmosphere and the levels of activity and inactivity there, and observing your compet-itors, your colleagues and the Jobbers all contribute in your knowl-

edge of the market," he said. Mr. Vroegop said this was illus-Ministry to cap the 0.12 percent stamp tax on Dutch share and trated by the chaotic conditions in London in early August, when base rates rose unexpectedly and the stock market, dropped sharply. Many dealers simply abandoued their screens and stopped trading because they no longer had any sense of the market, he said. In Amsterdam, by contrast, face-toface trading on the bourse floor provides a form of "social control" that ensures that market participants will continue to trade.

But Tom van Dort, managing mate that London oow accounts director of Morgan Bank Nederland NV, said he saw no reason why share trading in the Nether-lands could not be done by tele-phone and by screen as in either London or the NASDAQ overthe-counter market in New York.

"For professional market par-ticipants, a trading floor is not at all necessary, though it may be necessary as a way of protecting the small investor," he said. "Even now, when a Dutch pension fund does business directly with people in London, no exchange floor is

THE PRIVATE placement market in the Nether-lands is another example of a large market that exists without a formal trading floor; worldwide, the best example of a huge market that functions well without a trading floor is the foreign exchange market, he

"And if there were ever a market that depends on sentiment and mood, it's foreign exchange. But you can chat just as easily about market sentiment on the telephone as you can on a trading floor," he

While discussion continues about the eventual future of the bourse floor in Amsterdam, banks and other financial institutions are looking critically at the Amsterdam system of "single capacity" trading that requires that all or-ders for shares and bonds (except those in the AIM system) be executed via the Amsterdam hoekan, whose function is similar to the former jobber's role in Loodon or the specialist's role in the Unit-

at prices on a video screen did oot frustrated by this form of trading, for Amsterdam, allowing market



Traders on the floor of the Amsterdam Stock Exchange.

saying the hockman often does not have the financial strength in quote prices on large deals and, therefore, sometimes stands in the ay of transactions being done.

In the past few years, various hoekman firms have merged or have strengthened their capital base to meet the challenge of do-ing business in the 1980s. Baron van Ittersum said he expected this trend towards larger and stronger hoekman firms to continue.

But Mr. van Dort of the Morgan Bank said the Amsterdam market was likely to remain fundamentalimbalanced between the relatively small hoekman firms and the market's major class of players

— Dutch pension funds whose portfolios of stocks, bonds and property run into the billions of

"Uoder the present system, only the hockman firms are allowed to be market makers, but often they simply can't because they doo't have the capital strength," he said.

Mr, van Dort said that Amsterdam should be glad that several Loodon houses were prepared to make a market in Dutch paper because this injected needed liquidity into the guilder market. Dutch hanks are frequently system" would be a better model

participants to trade among themselves, either directly or through a Another frequeot complaint

about the present system is the ck, in practice, of a strict system of clearing and settling transac-tions. Amro Bank's Mr. Vroegop said the hoekman firms were always the last in the chain to pay when a deal is struck, meaning that other market participants, such as the banks, end up effectively financing the hockman.

A "crystal-clear" clearing and

tlement was necessary oot only to keep Amsterdam abreast with foreign markets hut also to meet the requirements of modern cash management used by the banks' customers, be said.

Despite some imperfections in the Amsterdam system, Mr. Vroe-gop said he was satisfied so far with Amsterdam's ability to compete with other financial centers, including London. Initial expectations that post-Big Bang Londoo would lure a significant amount of trading in Dutch, German and other foreign shares or boods away from their home markets have proved to be exaggerated.

The 12 months since Big Bang have shown that it is exceedingly difficult and risky for financial houses in one center to trade shares that have traditionally belonged io another.

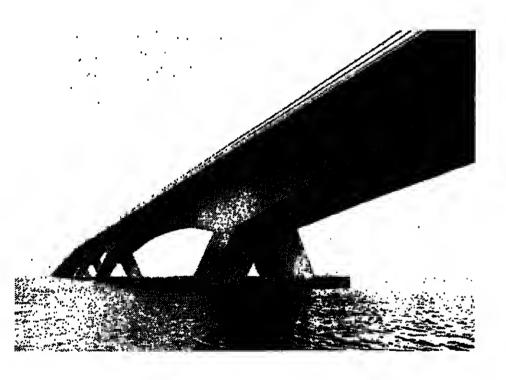
"Cultural differences exist from one market to another in how shares are traded or valued. You cannot simply take the price/earnings ratio of a Dutch stock, compare it with that of an Italian, German or Japanese share, and decide which one is undervalued. You oeed home market know-

how," he said.

Mr. Vroegop and other Dutch bankers camioned against expecting too much from the stock exchange's plans to stimulate trad-ing in U.S. and Japanese shares in Amsterdam using the new, simplified depository certificates called Amsterdam Security Account System (ASAS).

The bourse, drawing on its reputation as an international exchange that lists more foreign shares than Dutch ones, hopes to boost such trade with the help of Japanese and U.S. members of the Amsterdam stock exchange. Eventually, the exchange hopes Am-sterdam will be used by American investors as a sort of pre-New York or post-Tokyo market when those centers are closed.

But the best way of developing such a market in Amsterdam would be to persuade other European bourses to join in to help create oue uniform system for trading U.S. and Japanese stock in the continental European time zone, Mr. Vroegop said.



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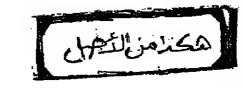
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As Gas Slumps, So Goes Land

By George Gudauskas

THE HAGUE - With the fall in gas revenues in the Netherlands comes another sinking feeling for the Dutch — the land over the huge gas field in

Like a large balloon losing its air, the gas Like a large balloon losing its air, the gas field in the northeastern part of the country, which has given up half of its known reserves since its discovery in 1959, is losing pressure, ever so slowly, so that over the next half century the earth above it will droop slightly.

The phenomenon, called subsidence, poses a costly problem of adjustments in this low-lying country.

"Our problem is that we're a very flat country and a low country, so that what's happening is we expect a disturbance in the water
household [table] on the top. So then you have
to adjust things," said Chris Staudt, director of
the Netherlands Geological Survey.

For instance, in the port town of Delfzijl, jwith its modern yacht harbor and windmill in the village center, expensive engineering projects will have to be undertaken to cause "lift-ing" as the land subsides and water levels rise. Hundreds of bridges and canals that criss-cross an estimated 900 square kilometer (342

square mile) area will have to be altered as the Earth turns into a broad soup bowl whose center is expected to dip from 50 to 75 centime-

ters (20 to 30 inches).

A 650 million guilder (\$325 million) fund has been set up to cover the costs of these projects, officials said, and a commission has been established to examine claims and to

study ways to prevent damage.

The authorities say that the population is not expected to be endangered because the change in the landscape will be so gradual it

will go almost unnoticed.

This is perhaps, in terms of public opinion,

director of Petroland, one of the many companies in the Netherlands searching for and ex-

ploiting gas and oil reserves.
"But, in reality," he said, "I can tell you definitely, scientifically as well as technically,

this is not a big problem."

Pipes buried in the ground will not suddenly surface like bones in a forgotten cemetery. Nor will vehicles vanish into the ground with a whoosh. And no houses will crack and crumble, the experts say, although there are those who argue to the contrary.

"It's very slow, it's very gradual, and it's a flat movement," said Frank Dunt, spokesman for the Netherlands Oil movement, the joint Shell-Exxon venture operating the field, which is the largest in the Netherlands. Unlike a cavein, he said, "it's a total movement in the Earth's layers so the whole area sinks."

There are, of course, people who think otherwise, people who always disagree," said Wiel G.J. Huijnen, a government energy specialist. He and others suggested that those disagreeing might be trying to take advantage of money made available to cover damage caused by subsidence.

The changes will be far less dramatic than those that began two years ago in the Ekofisk field in the North Sea off Norway, government officials said. There, huge oil and gas rigs and their crews were endangered when the seabed suddenly began sinking by meters, instead of centimeters, causing great concern and costly

countermeasures. "We have to be very, very careful," Mr. Huijnen said, "that it is not compared to what happened in Norway. It's completely different.

It just cannot be compared."

The main difference is that Groningen gas, thousands of meters deep, is contained in sandstone that is capped by a thick layer of of rock salt. Ekofisk's field was covered by soft chalk,

according to Mr. Standt, the geological survey director.

"We are lucky it's sandstone, so that the total compression of the sandstone in itself will only be very small," he said, adding that the salt layer also absorbs small movements in the

But, of course, there will be some subsidence," he added. "It's a consequence of taking something out."

If the Groningen phenomenon is left unat-tended, however, a shallow lake 40 kilometers wide will form where the subsidence centers, as rain water collects and ground water levels rise to the Earth's surface.

Significant amounts of new pumping will be needed, authorities said, to handle the water problems in this sparsely populated province of farms and villages already at or below sea

In addition, new canals will have to be dug and more sluices, flood gates and dams constructed, they said.

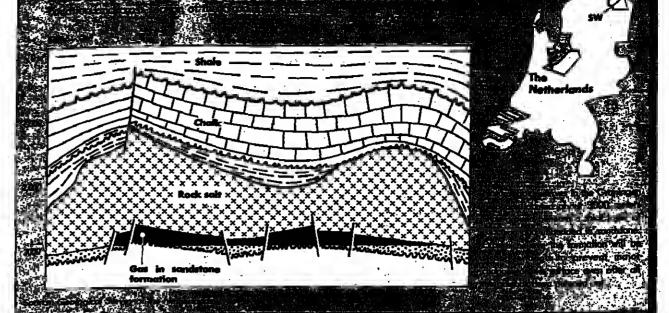
structed, they said.

Mr. Dunt, the spokesman for the Nederlandse Aardolie Maatschappij (NAM), the Shell-Exxon operation, explained: "Yes, if nothing were done you would completely destroy the water household [table], lakes and canals and so on. And the protection along the coastline wouldn't be on the right level anyways. So when we do have this his ways every more. So when we do have this big wave every hundred years, then the northern part of the country could be flooded — the harbor area.

The task shead is "to see and prevent that," he said. "And that's no problem. The money is there, the knowledge is there, and the works will be carried out in the next 10 years."

A fund totaling 650 million guilders has been created to cover the costs, such as studies

and work projects that will have to be underta-ken. Officials said that the fund was calculated according to possible needs and is open-ended. "More important is that there is an agree-



ment between the NAM and local authorities
— with the province of Groningen — when
measures must be taken, NAM will pay for
them," said Peter A. Scholten, director for
general energy policy and mines in the Ministry of Economic Affairs.

In addition to the fund, a six-member inde-pendent commission was established in 1984 to work with Shell-Exxon and Groningen officials to review claims for damage and to reccommend measures to prevent future damage.

In its report for 1986, the commission three of whose members are nominated by NAM and three by the province - said that so far it has paid out more than 9.5 million

publishing house, spent 500 mil-

lion guilders on nearly half the

shares of a smaller publisher, Kluwer NV; the Weolters Sam-

guilders in claims, plus 11.6 million guilders for

studies and the like.

The largest payment last year, 3 million guilders, was to deepen shrices in the village of Gaarkeuken in anticipation of settling testain

He dismissed reports by some people who said that cracks in their homes were due to the sinking caused by the withdrawal of gas in the

Jan Abrahamse, chief editor of a 35,000 circulation magazine, Wabbenbulletin, an environmental and geographical publication dis-tributed in the Netherlands, West Germany and Denmark, agreed that some of these re-ports were baseless.

Douwe Egberts, tobacco and coffee merchants (94.5 percent division for 1.25 billion guilders. million Sara Lee Corp.), took a major step

Dutch/Shell's consumer products division for 1.25 billion guilders. million to fast-food chain McDonald's years.

in diversifying its business when it purchased Akzo and Royal

The Groningen-based editor said that he had personally examined certain claims and

The main worry for the province brought on by subsidence involves water, he said, with pumping and other measures needed where none was needed before because runoffs and rivers flowed naturally to the sea.

"That will be a hig problem," he said.
Farmers usually are the first to know when
the water or the land is changing, said Pieter
Bakker, chief of external communications for
Netherlands Gasunie, the sole distributor of
gas from the Groningen field. And he added,
"For years, we haven't heard from them."

of restaurants it has in the Nether-

million guilders over the next few

Investment Surges on Cheaper Oil, Higher Corporate Profitability

By Sonja Mooradian

MSTERDAM — Cheap oil, deflation, a stable government, a healthy economy, higher corpo-rate profitability and a quiet labor market have together provided the impetus for a major surge of in-vestment in the Netherlands over

the last 18 months. Last year saw a record increase in investment - up 11.5 percent from 1985. This year, the government projected an increase of only 5 percent, but companies are con-tinuing to take advantage of

cheaper steel and oil prices to modernize or build new facilities. And although profit margins have come under pressure because of the guilder's strength within the European Monetary System, turn-over has been higher, resulting in growth. With higher corporate profitability, companies are re-

taining their earnings and investing them in expansion. In previous years, inward direct mobile gas market behind Shell. investment had been heavily deances by foreign parent compa-nies, according to De Nederlandsche Bank. But the level of investment was so high that 1986 actually saw net lending

from foreign parent companies. According to the U.S. Commerce Department, direct U.S. investment in developed countries increased by 13 percent in 1986. "Among these countries," it said, "the largest increase - \$4.6 billion - was in the Netherlands. After major investments in the

Netherlands correspondent for

year because of weak oil prices, there has been a spurt of investment in this sector. Most of the money is now going into major restructuring programs.

Last year saw a record increase in investment.

For instance, the Dutch subsidiary of Texaco is spending 50 milhon guilders (\$25 million) to revamp and expand its refinery at Pernis. Texaco currently holds second position in the Dutch auto-

The chemicals sector has also the Environment Ministry's tough restrictions on the industry. In vestments totaled 3 billion guilders last year and are expected to reach 3.7 billion guilders this year. Royal Dutch/Shell, for example has stepped up a 500 million guilder investment program that lay dormant for a year.

The chemicals sector has for many years been vital to the Dutch economy and has drawn huge investments (17 percent of total Dutch industry in 1986) in the last two years. But De Nederlandsche Bank has warned that the Envi-SONIA MOORADIAN is the ronment Ministry's policies may make some new investors in this

lands as a site for new production The lion's share of investment in research and development

More fundamental perhaps renewed confidence in the off-shore sector, almost \$2 million is slated for new drilling and production platforms next year by Pennzoil and Petroland, These are the

However, despite lower drilling tariffs and depressed steel prices, the company will not resume the

government's policies will contin-

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sector shy away from the Nether-

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and minimal labor conflicts, companies outside of the energy sector have also shown a willingness to

comes from the chemicals sector.

first investments in the offshore industry since the oil price fell last year. At that time, the Neder-landse Aardolie Maatschappij (50 percent Exxon, 50 percent Royal Dutch/Shell) decided to shelve a 2 billion guilder investment in the 'F3' oil and gas project. This year, NAM invested 1 billion guilders and will increase its investments to 2 billion for 1988.

F3 project until it is confident that the corrent oil price of around \$18 a barrel is a stable one. Confident that the coalition

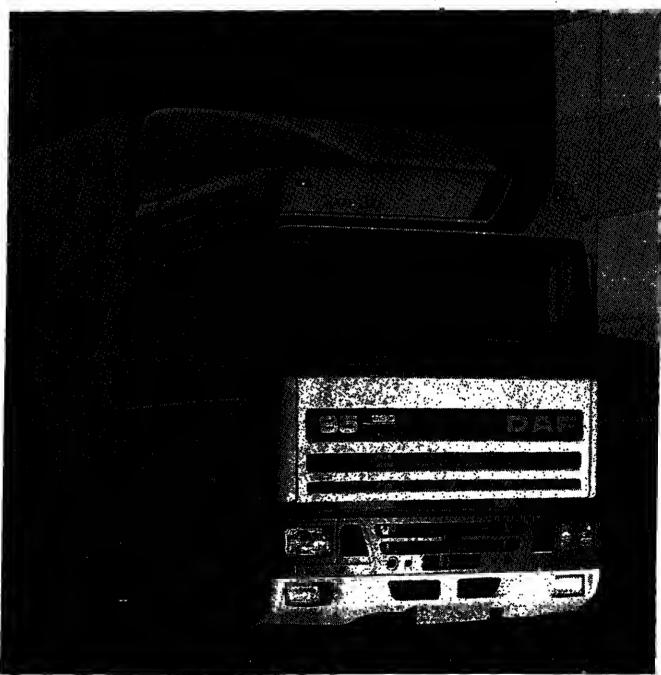
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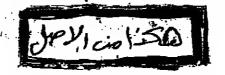
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By George Gudauskas

THE HAGUE - Royal residence and seat of government are the words most often used to describe this unyears ago on the dunes of the North Sea.

While called charming and historic by some who know it, the less charitable term The Hague dull, gray, bureaucratic, a sleepy community compared to the bustling Gateway-to-Europe capital of Amsterdam.

"That's long over," said Ad J.E. Havermans, the enthusiastic and energetic burgomaster and general promoter of The Hague, one of the four largest Dutch cities. "That has changed, very much changed in the last few years. We

have seen a new spirit in the city."

The burgomaster and others say a combination of things have happened to infuse oew life and vitality into the community, enhancing its international allure.

These include the fact that Queen Beatrix has chosen to make The Hague her official home and working place. She made the decision in 1982 and has since sparked interest in revising The Hague's gray-suit image. Burgo-master Havermans was appointed by the crown in 1985.

In addition, the city has seen the renovation of a major arts museum, has opened a complex to house the Hague Philharmonic and the Netherlands Dance Theater and has completed much-needed updating of the nearby seaside resort of Scheveningen.

Concentrated in Amsterdam for the past decade, the Holland Festival, one of Europe's

oldest cultural festivals, is coordinating with The Hague to have part of its activities, dance, performed in the city. Major modern art exhibitions have also been attracted to The Hague.

"Now, we don't have to go to Amsterdam anymore," is a common refrain among The Hague's more than half a million inhabitants, including young people who find trendy discos appearing on the nightlife scene.

Tourists leaving the beaten path also are discovering this city of wide avenues and old mansions, aided by a well-organized and coordinated promotion effort of city officials and the Netherlands Board of Tourism.

Mr. Havermans, who previously ran a smaller town in the eastern Netherlands, is emphasizing oot only the "international character" of The Hague - with its more than 60 embassies, foreign schools, world courts and other such organizations — but its accessibility from other parts of the globe and its services for multi-

"The Hague is in all respects the right city for companies and organizations to settle in Europe," be said in the opening statement of a

booklet about the city.
"Total product" is a phrase used by both
Mr. Havermans and by Hans Cornelissen, managing director of the tourism board, when they discuss efforts to promote the historical and cultural attributes of the Netherlands and



The Nederlands Dans Theater is now housed in The Hague's new 44-million guilder auditorium.

its major cities of Amsterdam, Rotterdam, The Hague and Utrecht.

Mr. Cornelissen, at ease in the jargon of a sales-marketing man, made it clear in an interview that "Amsterdam was really, and still is, our 'A' product in a total assortment of prod-ucts we can offer."

But, on the question of The Hague's chang-ing image, he credits Mr. Havermans with

finding ways to improve it. "To govern a city is more than just sitting behind your desk," Mr. Cornelissen said. "He has a philosophy and. I think this is a new point, that for a city you have to do city marketing—and not only for tourist, or government, or industry, no, it's a whole com-

The burgomaster, Mr. Cornelissen said, also sought to get service-industry businesses like banks and insurance companies to locate their headquarters in town. But he did not overlook "people needs," like refurbishing the 17th-century "New" Church or getting the national ballet to make The Hague its home.

Regrouping of the city's sprawling govern-ment offices was also taken up, the tourist board director said. For instance, the Foreign Ministry's 22 offices were finally housed in one oew building next to the main railroad station.

oew building next to the main railroad station.
On the topic of competition with Amsterdam, Mr. Cornelissen agreed with Amsterdam Mayor Ed van Thijn that none exists.
The Amsterdam mayor, through his spokesman. Gilbert van Stijgeren, said, "You know, there is oo such thing as competition between Amsterdam and The Hague, On the cootrary, we enjoy the cultural developments in The Hague, such as the theater and other things."
The Hague offers "competitive different" he The Hagne offers "something different," he explained. For example, Amsterdam produces

"hallet of a certain character," or classical, while The Hague produces very modern dance. The Dutch opera was in The Hague for 20 years, he noted, after being established in Amsterdam. But "the opera has left" because of space problems, "and has gone back to Am-

However, the theater opened in September

Artists Must Struggle As State Ends Subsidy

By Ronald van de Krol

MSTERDAM - Dutch artists, once used to drawing a state-backed sala-ry, are locked in an unfamiliar struggle for survival oow that the govern-ment has halted a policy of paying them a virtually guaranteed income in return for their paintings, murals and sculptures.

The demise of the Visual Artists Assistance

Program, called by its Dutch initials BKR, means that for the first time since World War II, thousands of Dutch artists can oo longer count on the state as a customer of last resort. Instead, they are now forced to squeeze a living from the sale of their art on the private art market alone. That may oot seem like a startling proposition to artists in other coun-

tries, but it marks an abrupt break with the past in the Netherlands.

"The problems have been enormous," said
Jan Romers, an official nt Kunstenbond, the artists' union. "Artists who had become used to a fairly secure income suddenly found that it no longer existed." Most have ended up living on state welfare and now find it difficult to pay the rent on their studios or to buy art supplies.

The center-right government, which prides itself on its "no-nonsense" reputation, had long been critical of the BKR scheme, saying it was unwieldy and had failed to produce "qual-

Although quality may have been in short supply, there was no lack of quantity. The policy of buying art to provide artists with a living has produced "painting heaps" and "sculpture mountains" to rival the wine and milk "lakes" of the European Community.

Together, national and local governments purchased around 300,000 works of art during the BKR's 38 years of existence. Some are now displayed in schools, public buildings and Dutch embassies overseas, but the vast majority are gathering dust in government ware-

by the queen was built so that it, too, could

have operatic performances. So, next year, the opera will give 30 performances in The Hagne.

image growing and the results are there."

sphere, but in a quiet way."

tive, ideas and creativity.

as Amsterdam and Rotterdam."

Mr. Cornelissen said, "There is a different

Describing that image, he said, "If I have to sell The Hagne, I say it's a pleasant, quiet city with a lot of history, with a lot of culture—in an easy-going way, not hectic—with all the facilities around, with an international atmo-

Mr. Havermans believes all big cities are

"I think many hadn't realized until now that

basically alike in that they are centers of initia-

The Hague also had these possibilities, as well

There is another feature in The Hague that is different from Amsterdam, as Frans Kruse, the

nation's director-general for employment, has consistently found.

"You can park your car here," be said.

The abolition of the BKR program is expected to cause a oumber of changes in the lower to middle end of the Dutch art scene. Oil paints are tipped to start giving way to cheaper acrylics, the size of art works is expected to become smaller, and artists will inevitably have to economize on the frames they use.

"Already, we are seeing more watercolors than we did before," according to Johan Pij-nappel of Kunstnitleen, an Amsterdam "library" that has lent art to the public for a small fee for the past 30 years.

The number of artists wanting to join the art library project bas grown since the BKR was abolished. At the same time, artists are also redoubling their efforts to exhibit and sell their works at private galleries.

Of course, these changes are not ooticeable among the small minority of Dutch artists who make a decent living from their work and who never took part in the BKR program in the first place. But for the 2,000 former BKR recipients, the adjustment has been painful.

Theo, a 32-year-old painter from a town near Amsterdam, said he is determined to continue painting full-time despite the fact that his monthly welfare check is less than half of what he received in BKR subsidies.

"The biggest hassle is the cat-and-mouse game you have to play with the welfare office," be said requesting that his last name not be used. "You have to prove you're looking for work if you don't want your welfare check to he docked. But of course they know as well as I do that there just aren't any paid jobs for artists ont there."

They are now forced to squeeze a living from private sales.

The BKR scheme was originally meant as a temporary measure after World War II to prevent artists from having to accept work unrelated to their art. At the beginning, it supported only 100 artists, but their numbers resided in the 1960s and 1970s at the Untrib swelled in the 1960s and 1970s as the Dutch welfare state grew, peaking at 3,600 in 1983. Far from being a temporary measure, many artists received BKR subsidies for 10 years or

Arthur Frankhuizen, an official of the Ministry of Welfare, Health and Cultural Affairs who administered the BKR program until January, said the average artist in the scheme received 38,000 guilders (\$19,000) per year, which also included a stipend toward the cost of materials. In its last year, the BKR program cost the government 70 million guilders.

The subsidy system was based on an esti-mate of how much an artist needed to earn per week to support himself.

"Toward the end, this was fixed at just under 500 guilders for a married artist below the age of 34. So, if the city council bought a painting from him for 10,000 guilders, he had to wait 20 weeks before submitting a second work," Mr. Frankhuizen said. Io practice, most artists sold three or four works to the government per year.

The government argues that its abolition of the subsidies should not be seen as a spending cut because the funds that were once earmarked for the BKR are now used for scholarships for promising artists and for increased spending on the arts at the regional level.

The BKR program emphasized the artist and the artist's social position, "Mr. Frankhui-

zen said. "The new policy takes art and the quality of art as its departure point, and every-thing else is derived from that . . . Artists no longer have a right to a living."

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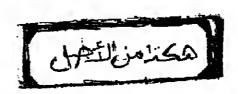
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MONDAY, NOVEMBER 2, 1987

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EUROBONDS

Stampede to Safe Houses Gratifies Some Goliaths

By CARL GEWIRTZ

ARIS - The international capital market is being fragmented by the stock market crisis, bankers report. As investors rush for protection to bonds - and then only the highest-quality government, state-guaranteed and supranational issues — they also appear to be directing their trusiness to intermediaries that offer the same security: banks and

securities firms certain to be in business after the dust settles. There's a lot of bad news still to come out, houses that bave been hit by speculating that could take some time to surface, says one banker. With the rumor mill running at full speed, he adds, an increasing amount of the business being transacted is passing to the biggest finan-

Major firms feel

would allow for

pricing.

more reasonable

that less competition

If uncheeked, bankers agree, the number of institumarket could shrink

Such a retrenchment would reduce the amount of capital therefore its liquidity. But bankers at some of the major

institutions insist that this would not be a major setback. They complain that too many firms claiming to be market makers do little more than trade with other dealers, adding no real liquidity to the market and jumping on bandwagons when prices appear to be headed up or down.

The view at the major firms is that less competition would allow for more reasonable pricing and ultimately better profits for those remaining in the business — a result of both bigger spreads between bid-asked prices and increased volume.

Regardless of whether there is a shakeout among the profes sionals, investors' focus on quality and liquidity is already fragmenting the market. The major market makers that previously quoted prices in hundreds of issues report they are cutting their lists to fit with investor demand.

Bankers say they are unwilling to be market makers in small issues, which are largely defined as anything below \$200 million, because there is not enough paper in circulation to assure availability. And among the large issues, only those of unquestionable quality are being taken into inventory.

In the future, these bankers say, borrowers will have to tap the

market less often but for bigger amounts.

LMOST ALL SECTORS of the Eurobond market rallied last week, the result of massive injections of liquidity into money markets by central banks in an effort to calm the equity markets and to halt the dollar's slide.

This is a maneuver that can work only if it is aimed at gaining time: giving President Ronald Reagan and Congress the time to agree on a credible reduction in the U.S. budget deficit. But that compromise needs to be in place before the pump-priming begins to show up in an explosive growth in the domestic money supply

If the budget deficit is cut, such monetary ease in the United States would help offset the depth of the economic slowdown that will result from both the deficit reduction and the decline in consumer spending resulting from the collepse in stock prices. At the same time, if Washington restored international confi-

dence in the dollar and in U.S. assets, there could be a capital inflow from West Germany and Japan that would help reduce growth in the money supply in those countries. By contrast, if Washington drags its feet on the budget, the

oney-supply growth figures could become worrisome — a precursor of renewed inflation - ar monetary policy in West Germany and Japan.

Activity in the Euroboad market last week indicated that investors assign a high probability to the latter scenario. There was a huge rush to buy floating-rate notes, which are the safest

haven when interest rates rise.

Euroclear, the larger of the two clearing bouses for trading Eurobonds, reported that \$19.96 billion of dollar-denominated FRNs were traded last week, the largest volume since last year.
Bankers said that this demand was overwhelmingly for sovereign paper, especially the FRNs issued by Britain, Belgium,

There were some efforts last week to tap into this demand. The France and Italy. Bank of New South Wales, which carries the guarantee of the state of South Wales in Australia, sounded the market on whether it would accept \$250 million of 10-year extendable notes bearing a coupon of & point over the London interbank offered rate and

In the end, the issue never surfaced. Bankers explained that their quality-conscious clients were not receptive to Australian risk because of the country's exposure to a downturn in the U.S. and Japanese economies. In addition, some bankers said their See EUROBONDS, Page 15

Currency Rates

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1,369 1,4053
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The London Tokyo and Zurich, fixings in other centers. New York closing rates.

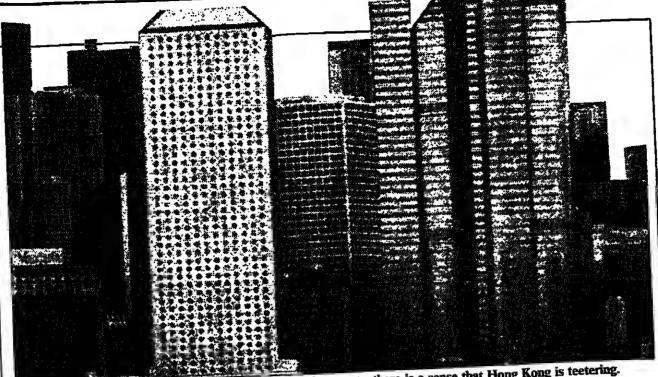
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Sources: (pageuez Bank (Brusseis); Banca Commercials Hollana (Milan); Banque Nationale (prairs (Paris); Bank of Tokyo (Tokyo); IMF (SDR); BAll (dinar, riyal dirham); Gasbank

ast Week's Markets All figures are as of clase of trading Friday

Stock Indexes United States DJ Indis. 1,993.53 DJ 1001. 182.55	1,990.76 + 2.19 % 182.56 0.55 % 749.60 + 1,02 %	Money Rates United States Riscount rate Federal funds rate Prime rate	Oct. 30 67h 9	Oct. 2 7W
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In the stock exchange, in offices, even on the streets, there is a sense that Hong Kong is teetering.

After the Fall, Fear: Vertigo in Hong Kong

By Nicholas D. Kristof New York Times Service

HONG KONG - Stock markets fell everywhere last month, but it was in Hong Kong that the crash was loudest, most palpable, and perhaps most telling. In one day, stock prices fell 33.33 percent, one of the worst one-day plunges on any

stock market in history.

Until mid-October, Hong Kong had beeo a virtual money machine, with among the world's best-performing stock markets and property markets. kets and an economic growth rate that was four times that of the United States or Japan. But the cement that binds Hong Kong is confi-

dence, confidence about business prospects and confidence that China will leave it alone. That now seems in danger of becoming unglued.

In a private box above the Happy Valley race-

Compiled by Our Staff From Dispatches

market enters its fourth week of

another correction or even a replay

of the panic-stricken days sur-

rounding the Oct. 19 crash may be

stocks at an exhaustive pace Friday

and behaving as if the worst finan-

cial crisis in six decades were over,

By Glenn Kramon

canned goods.

the past two weeks.

dollars, the stock market plunge

is hardly a laughing matter. But the nature of black bumor is

that it surfaces in the most trying times. You either laugh or

Wall Street seems to generate

more than its share of this kind

of humor. It had a field day

with the foibles of the former

presidential candidate Gary

Hart and the tragedy of the

space shuttle. You got 27 one-

liners in 10 minutes," one in-

The difference this time,

though, is that the market's collapse has hit closer to home.

vestment professional said.

claims, "N For Sale."

Even as investors were huying

just around the corner.

jitters, some analysts believe that

course, where Hong Kong's tycoons gossip and gamble on horses, one financier recalled the other day that he had lost almost everything in the 1973-74 Hong Kong market crash, when share prices As a Nervous Market Reopens, Fears of a 'Sucker Rally' Abound

NEW YORK — As the stock analysts who had been exuberant parket enters its fourth week of just the day before fell silent or

Many institutions wandered tion: Was the outlook really im-

Not Quite at Wit's End

Wears Thin When the Joke's on Them

But Wall Streeters Find the Humor

revised their predictions.

On Oct. 19, the Dow Jones in-

dustrial average of 30 hlue-chip stocks lost an unprecedented 508

points, or 22.6 percent of its value.

After zigzagging for a week, the Dow then rose nearly 200 points, or

about 11 percent, in the last four

trading sessions to close Friday at

That posed a troublesome ques delphia inve

plunged by 92 "It's happen-

ing again," he said, "the big slump we've all been waiting for." Several others agreed. These financiers may be no

Ronald Li more correct in predictions than they were in picking horses. The underlying economic opportunities for Hong Kong have rarely looked so good. Many other forecasters believe that the territory will lose its vertigo and test new heights on the financial markets while its economic carrely acceptance.

nomic growth accelerates.

But the suddenness of the crisis that hit Hong Kong last week underlines a constant threat to See HONG KONG, Page 18

depressed levels?

sidelines now."

and Congress.

back to the sidelines, and market proving, or was the market simply sion on the New York Stock Ex-

enjoying a temporary bounce from

gains would be "much harder to

come by this week. "I'm afraid people are going to find that this market is still treacherous, and they

things: overly aggressive buying for a market that has just stumbled through a terrifying mooth, and investors fixation on budget nego-

were far too exuberant Friday." The pundits are spooked by two

Bank of China Reports No Loss

Agence France-Presse BELJING - The Bank of China says it suffered no "direct eco-nomic losses" as global stock exchanges crashed, but that it is watching the situation closely, particularly in Hong Kong.

The Bank of China was quoted Sanirday by the news agency Xinhua as saying that it "mainly buys and sells stocks for clients, which involves no risk." It added that "the stock mortgage loans it offers are also within safe lines."

The bank, China's foreign exebange offsboot, contributed \$42.7 million last week to a \$512 million fund to salvage Hong Kong's stock futures market,

Analysts in Beijing said that China held about 10 percent, roughly \$8 billion, of the Hong Kong market's total capitaliza-tion before the crisis.

change, traders were inundated with buy orders as individual inves-

\$5 a share right off, and almost

Ton many people are getting tors followed the lead of institu-

too excited too quickly," said Eu-gene D. Peroni, a technical analyst for the Philadelphia investment

firm Janney Montgomery Scott.
"We were buying aggressively on Wednesday, but we're back on the stocks were up an incredible \$3 to

Jerry Heizner, a market strate- immediately the shrewd institu-

German Suggests **Bundesbank for** EC Central Bank

ANTWERP, Belgium — The West German central bank, the

Bundesbank, could be adapted to the role of a central hank for the European Community, a senior West German central banker has

suggested.

Withelm Nölling, president of
the Federal Reserve Bank in Ham-burg and a member of the Bundesbank's policy-making committee, said the bank, which already dominates European monetary policies, could eventually be "Europeanized" by including representatives from EC member states.

"But I don't have any illusions about the readiness of politicians to accept this," he told reporters on Saturday at a conference here on the European currency unit.

speaking for the Bundesbank "I am against toying about with new bureaucracies," Mr. Nölling said. "I am not in favor of estab-

lishing a new superpower alongside the present setup of central banks." President François Mitterrand of France called earlier this month for the creation of a European central bank to help supervise economic integration in the EC.

At present EC member states coordinate their economic policies within the framework of the European Monetary System, an ex-change rate mechanism that imposes strict limits on the fluctuations of eight EC currencies.

In a rare departure from tradi-tional Bundesbank policy, Mr. Nölling also said he doubted whether Britain should be allowed to join the EMS exchange rate sys-

tem. He said that the Bundesbank

Reynolds commented, "Can you really feel comfortable buying

stocks when you know that last

time the Dow was at the 2,200 level

High Johnson of First Albany

Corp. said, "There's that fear that you're going to be blindsided again,

that an unexpected shock will oc-

Yet Joseph Barthel, an analyst

for Butcher & Singer Inc. in Man-hasset, New York, voiced concern

See REBOUND, Page 15

been saying for years that the British ought to be part of the system. "He has never actually said why." Mr. Nölling said. "I think you might find there would be instability in the system in Europe were the pound to join."

Prime Minister Margaret
Thatcher of Britain has so far
strongly resisted calls from her EC partners to take Britain into full EMS membership.

Piedmont, **USAir Merger** the European currency unit. He made clear that he was not realize for the Bundesbank. See In the Bundesbank.

WASHINGTON - The Department of Transportation has approved the \$1.59 billion merger of USAir Group Inc. and Piedmont Aviation Inc., rejecting the advice of an administrative law judge who had called the deal anti-competitive.

The new airline will be the seventh-largest in the United States. The judge, Ronnie A. Yoder, had said the merger would mean "a substantial reduction of competition" on the East Coast.

The two airlines had argued that they needed to merge to remain competitive against such big carriers as Texas Air Corp., American Airlines, United Airlines and Northwest Airlines.

Edward R. Beauvais, chairman of America West Airlines, based in Phoenix, Arizona, said Friday that the company would seek a reversal of the decision from the U.S. Court of Appeals and a stay of the decision in the meantime.

America West argued that the merger would result in increased coocentratioo in ownership of landing rights at Washington National Airport and La Guardia air-port in New York and amount to a barrier to airlines seeking to serve those markets.

Piedmoot will cootinue to oper ate as a separate airline for at least nine months before merging into USAir, which has headquarters at Washington National. Earlier this year, USAir acquired

Pacific Southwest Airlines, giving it a strong West Coast presence and transforming the former regional carrier into a national carrier.

gist for Butcher & Singer, a Philational investors pulled out. They delphia investment firm, said that don't like to chase rallies." John Connolly of Dean Witter Have Consumers Lost Heart?

tions. Burdened with so many it fell 508 points? I don't think so."

tiations between the White House Some analysts fear that the financial markets could come crash-ing down again if Washington com-As the first solid piece of statisti-

package that proves unacceptable This market is still very sensitive," said Robert H. Stovall, president of Stovall-Tweoty First Advisers in New York. "And if there is more turmoil and finger-pointing in Washington instead of strong action, I hate to think what might

happen."
Mr. Helzner found Friday's aggressive buying patterns equally

capital.

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of sloppiness. There were way too
many people who really thought
There are likely to be some con-Thursday was proof that we had flicting signals about the economy's

In the first hour of Friday's ses- ed from varying perspectives.

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a reason wby so many people have obtained a steady return during the past 20

impact on the return, and could even result in a negative yield.

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investment on the international markets.

obtain the highest return of the market.

U.S. Car Sales Will Offer Clue By Richard W. Stevenson
New York Times Service

when automakers report their sales for the last 10 days of October, coonomists seeking to divine the course omists seeking to divine the course of the U.S. economy will pore over the figures as never before.

cal evidence of consumer behavior since the stock market crisis began in earnest, the numbers, depending on their strength or weakness, are sure to be seen as harbingers of continued moderate economic expansioo or impending malaise. Indeed, with the turnoil in the

markets abating only slowly, growth forecasts being slashed and the possibility of a recession looming, every indicator of consumer and business "The steady driving rally oo Thursday really looked good," he said. "But as soon as the market spend on Friday, there were signs opened on Friday, there were way too

direction, and they will be interpret-

Does the market plunge reflect underlying weakness in the econo-my? Or is the danger largely in the expeats get a firm grasp on what Wall Street's crazy days mean for the economy.

The last five years of economic growth have been based largely on the strength of consumer spending. With 60 to 65 percent of growth in the gross national product recently derived from the consumer, economists are watching most closely for signs that people are putting away their wallets, credit cards and check-

"What I'm really looking for is evidence that consumers are pulling in their horns," said Murray L. Weidenbaum, a former chairman of the Council of Economic Advisers who is now director of the Center for the Study of American Business at Washington University in St. Louis. Some economists think it takes at See CONSUMERS, Page 15

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More wry humor on Wall Street: The bulls were back briefly on Friday - for Halloween.

Many traders and analysts said the jokes have been far scarcer.
When bad things happen to other people, you have a lot See WIT, Page 15

in pulp, paper, machinery, chemicals, timber, building material, textiles, foodstuffs, steel, consumer goods.

Elof Hansson

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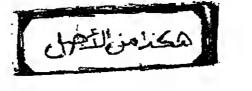
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Volcker." That was a letter published in er day. The same sen o doubt be found in spal financial centers made his mistakes as he Federal Reserve Te is immense internce in his nonpartisan ant. To bring him back would be a potent o and determination Mr. Voicker do? He t in as secretary of the shuffle of the Reagan ite House staff. Or he il ambassador to orgainternational meeting

· cosis. ng would itself be an col. We have learned ecks how technologireated a single world 1. Any shock in Toor New York reverther markets at once. the Western econotogether — or sepa-ranklin said.

x a conference would are that the political e and Asia and Amertheir countries' inter-: are ready to put aside est and ideology for a could be an effective ring confidence, but It has to work. -recedent that warms of

_ ire was the London rence of 1933. It was cooperative steps to :ld depression, but relt torpedoed it Nariers grew worse So

now would be worse thout undertakings participants before it SIS OF COMMITMENT TO

some of restoring conrard to see what some ave to be. U.S. budget deficit is ment Some econezovernment spending reases are unwise a es possible recession on in this case the overwhelming. The that Mr. Reagan's

the ideological obled to profligacy. videncing fiscal re United Suics will from its key cormore relaxed mone it is, West German pave to take the ast a and expand their c is to be meaningful

symbols needed at cos by the executive ng is required of Conone can be in any is. It is to give up the rotectionist trade bill. agine a surer way to ncial ruin than find resentative Richard bill? It would evel there of the Smoot tariff increase of 1930 he collapse. merican system the

leadership has to be ple in difficult inus igress, overcome di o recognize the eser-

of economic confidence. Mr. Resem restore confidence in andon or Tokyn he n the financial world es not understand the 2 profound threat to ands his time reading diatribes about the Supreme Court. Mr. Volcker's reum than 2 symbolic 95 tot come back to put he could all effective ick under such term a would have to stop nomic fantasies fit follow Mr. Volcier auld maner. York Tomes.

AGO.

arters many doubtle Kurds roum short ngry whispers as a 15 each other to are nors are current that coldiers who describe nors die nho deerla oldiers who deerla r at Kirk Khisse ar instanuaople, plus es and farms as the es and farms as the is flooded with who have been die anic-straten by the

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Vew International Bond Issues

Issuer	Amount (millions)	Mat.	Coup.	Price		Terms
FLOATING RATE NO	TEK	<u> </u>	,	- <u>.</u>	week	
Guaranteed Investments	\$140	2038	3/16	100		Over Libor, Redeemable at par in 1997, Secured by perpetudi FRNs and by 50-year zero-coupon bonds of the World
National Home Loans Third Funding	£ 100	2014	14	100		Over 3-month Liber until 1994, 1/2 over thereafter, Average life 7 years, Fees 0,60%, Additional 510 million on
Bank of New Zealand	NZ\$ 210 .	1990	1/2	100.10		Below 90-day Bonk bill sell rate for 1st 3 months, and Vi below the 4-month bill sell rate for 1st 3 months, and Vi
Bank of New Zealand	N Z\$ 210	1990	1/2	100.10		por in 1988. Fues 0.10%. Denominations NZ\$5 million. Below 90-day Bank bill sell rate. Redeamable at por in 1988. Fast 0.10%, Denominations NZ\$5 million.
DFC Overseas Investments	NZ\$ 225	1992	34	100.10		Below 90-day Bonk bill rate. Rodermable at per in 1988. Fees 0.10%. Denominations NZ\$10 million.
Chagola Bectric Power	Y 20,000	1992	1/4	100		Over 6-month Liber. Noncollable. Fees 0.25%. Denomina- tions 10 million yen.
faily	Y 150,000	1992	0.55	100.10	~	Below the Japanese long-term prime rate, or 0.35% over the most recent Bank debenture, whichever is higher, payable semiconcular Colleges on the 1000 S.

٨		<u> </u>	<u>.</u>	·			most recent Bank debenture, whichever is higher, payable semicanually. Collable of par in 1989. Fees 0.20%, Denominations 10 million yea.
1	FIXED-COUPON	200					
(News Int 1	DM 700	1992	6%	991/2	98.00	Noncoliable, Fees 2%.
	World Bank	DM 250	1993	61/4	1001/4	,	Noncollable private placement.
•	McDonald's	£ 50	1992	9%	1011/2	99.65	
,	ENEL	ECU 200	1992	8	99	97.25	1 100 1700
· ,	European Investment Bank	BCU 100	1997	8%	1011/2		
١.	Italy	Y 150,000	1992	5%	10114	67.00	Name and Advantage of the Association of the Associ

Flight to Quality Spurs Record Week

PARIS —The continuing flight to quality by investors made for a record week in the Euro-commer-

cial paper market last week. The volume of new paper passing through Euroclear's settlements system totaled \$5.7 billion, while trading in the secondary market amounted to \$3.4 billion, producing a weekly record of \$9.1 billion. The new issue volume itself was

inst a tad below the record \$5.8 billioo recorded two weeks ago. The rush to buy short-dated three-month paper issued by top-

quality governments has also dramatically pushed down rates. Sweden, for example, was able to market paper last week at 25 to 30 basis points below the London interbank bid rate. A week earlier, Sweden's paper fetched 17 basis points below Libid and a month

ago the rate was around 15 basis points below the benchmark. French state-guaranteed paper last week was quoted at 20 basis points below Libid, compared with minus 15 a month earlier, and Danish paper, also quoted at 20 points

below, was at minus 10 a month

Dealers reported that demand tar outstripped supply, particularly as most ECP programs that had set a ceiling on the amount of paper to be sold were at or very near the self-

these limits to be revised upward. At the same time, they anticipate At the same time, they amendade that new borrowers, who up to now the been skeptical about the via-bility of this fledgling sector of the Euromarket, will be establishing

ECP programs.

Meanwhile, in the syndicated

(Continued from first finance page)

clients were not pleased with the

intended use of the money, report-edly to fund the bank's bond port-

Merrill Lynch marketed \$140 million of FRNs in the name of

Guaranteed Investments, a repack-

aging of six different perpetual FRNs whose redemption in 50

years is assured by a zero-coupon

bond issued by the World Bank. In

addition, payment of interest and principal is guaranteed by an insur-

ance company, giving the new of-fering a triple-A rating.

The notes will be issued in six

separate tranches, each of which

will be secured by the paper of one bank and a portion of the World Bank zero. Interest will be paid at 4-point over Limean, the average

of the bid-offered interbank rate, which is equal to 3/16 of a point

redemption at par value after 10 complex deal: Holders can reque

years, or can at any time, for a 1

percent fee, exchange the new FRN

for the underlying perpetual plus the World Bank zero.

The exchange is potentially a

very valuable option since perpe-

tuals currently are out of favor and

trade at 15 percent discounts from

If perpetual prices ever recovered and traded at par value, hold-

ers making the exchange could

However, riding the recovery in

perpetual prices is not an open op-

tion. Investors could find them-

selves forced to exercise the option

-because the new FRN can be called

at a premium price of 102 anytime

The notes, offered at par, were quoted at 99.90 at end of the week.

The market also saw several New

Zealand dollar FRNs last week,

but these were really private place-

ments targeted for clients in Japan.

Bankers expect demand to pick

up as the Japanese authorities are threatening to close a loophole that

had enabled foreigners to buy do-

mestic yen bonds.

-make a huge profit.

after the second year.

There are two kickers to this very

over Liber.

face value.

all but the highest quality issuers.

INTERNATIONAL CREDIT

starved for new business and the borrowing charge to 10 basis points rare new deal emerges after intense over Libor. competition by banks to win the mandate. A good example of this is facility of 100 million European

debted country in the region. Figures from the Bank for Inter-high-quality paper. The facility, national Settlements show that which can be extended to seven South Korea reduced its foreign years at the option of lenders, carbank debt by \$2.5 billion in the first ries an annual fee of 614 basis half of this year, making a reduc-tion of \$5.2 billion in the year to francs will cost 15 basis points over

So when Hyundai Motor came to points over Libor. the market to finance an investment by its subsidiary in Canada, 21/2 basis points if more than onecompetition was fierce and the bor- third is drawn and of 5 basis points

Yukong Lid, a South Korean oil but in fact is an "evergreen," since company, plans to raise \$50 million leaders each year will be asked to through the sale of floating-rate extend the life by one year. notes. However, given current investor preferences for top quality, as points plus one basis point each the notes are most likely to end up year for extending the life. The cost in the portfolios of banks. The to draw on the credit is set at 10 eight-year notes, which borrowers basis points over Libor with a utili-can redeem after five years, will zation fee of an additional 2½ basis Heavy Industries Corp. of Ma- used.

loan market, borrowing charges are laysia is seeking bids to refinance also continuing to drop, despite 55 billion yen of fixed-rate debt at claims by many bankers that an new lower fixed-rate costs. Turkey, which had entered the Those who forecast higher market seeking \$85 million for charges base their argument on an expected increase in the volume of size of the loan to \$100 million. loans now that alternatives — issu-ing stock or bonds — are closed to points over Libor with front-end But banks active in Asia are ever, Turkey also sold lenders an option to convert the loan to Dentsche marks. The proceeds from this

New in the market is a five-year South Korea, the most heavily in-debted country in the region. Currency Units for Arjomari-Prioux SA, a French producer of

sale reduced the country's effective

last June, thanks to its burgeoming the interbank rate, while drawings in other currencies will cost 8 basis

There will be utilization fees of

rowing charge continued to de- if more than two-thirds is used. In the sterling sector, Williams Six months ago, Hyundai paid %

Point over Libor to borrow from the banks. The latest \$100 million, mile-year loan will cost % point from million, multi-option facility. This is nominally a five-year deal

The annual facility fee is 64 babear interest of 1/2 point over Libor. points if more than one-quarter is

we will get another reading from retail sales. I would suspect that both will show some slackening as a result of the sharp

REBOUND: CONSUMERS: Car Sales to Offer Clue on Confidence A 'Sucker Rally'?

(Continued from first finance page) least four months for the full impact (Continued from first finance page) of a fall in the stock market to hit

that the market was still "overbe-lieved" by investors. consumer spending, so it is not sur-prising that the preliminary readings "This translates to higher prices on the consumer mood are someshort term until the anticipated re- what fuzzy. flex action runs its course," he said.

"But once the snap-back rally is incidents of car and home sales beover, prices are going lower." Justin Mamis, an analyst at the most Americans outside major fiinvestment firm of Cowen & Co., nancial centers remain relatively unagreed with that sentiment in a concerned about the market turcommentary written during the moil market turmoil. Why can't we just Co go right back up?" he asked. "Be- which most economists study as an cause 'V' bottoms lead to bear mar- early indication of the economy's

ket railies, and not new bull mar-direction, have sagged as the stock tets." Students of market history recall matically as to give a clear picture of the "sucker rally" after the great new behavior patterns. crash of 1929, which subsequently The Conference Boar group, reported last week that its index of consumer confidence

gave way to a long, tortuous de-

In the worst bear market of the dropped to 110.4 from 116.9 during 1970s, they also note, stocks ap- the week after Oct. 19's 508-point peared to be staging a comeback in market plunge. That 5.6 percent delate 1973 before they slid to the cline, a spokesman for the group lows of the decade in 1974. ws of the decade in 1974. said, was harely significant and But analysts note that Wall much less than the 33 percent drop

Street precedents are not necessar-ily rules that cannot be broken. Richard Curtin, who runs another The optimistic case right now is survey of consumer confidence at founded on the premise that the the University of Michigan's Insti- sents this year, just in case. market's spectacular drop has already set in motion forces that can avert a recession in the producing and consuming economy and ulti-

mately restore confidence. The Federal Reserve, which had been tightening its credit policy to try to quell inflation worries, quickly switched to a stimulative ap-proach, pumping money into the financial system.

And interest rates, which had been rising, took a rapid drop. At the onset of a recession, rates are typically moving up steadily.
(LAT, AP, Reuters)

seph R. Biden Jr., the Delaware Democrat who withdrew from the

presidential race amid disclosures

that he lifted portions of his

speeches from other politicians.

Mr. Biden's comment on the mar-ket panic: "We have nothing to fear but fear itself."

Not surprisingly, much of the burnor deals with the morbid ste-

reotype of distranght brokers tak-

What do they ask you when you want a room at the Hyan? "Is it for

sleeping, or jumping?"
Why haven't more brokers taken

the plunge? "You can't open the windows."

What is the precipitation proba-bility? "Rain, 30 percent, brokers,

And how do you get a broker down from a tree? "Out the rope." There are also old favorites mak-

ing a return appearance:
"What's the best way to make a

million in the stock market? Start

Indeed, the most recent Wall

Street one-liners are really nothing

new. After the crash of 1929, the

"I have an uncle working on

jokes sounded much like today's.

ing their own lives:

with \$2 million."

Japan Is Said To Urge Bidding For U.S. Bonds

Agence France-Presse TOKYO - The Finance Ministry will advise Japanese institutional investors to bid actively for U.S. government bonds in an auction this week. market sources said.

The ministry believes that a decline in bidding by Japanese life insurance companies, trust banks and other financial institutions could lead to a further drop in the dollar as well as trouble on world financial markets, the sources said Saturday. The U.S. Treasury is to auction bonds worth \$23.75 billion

this week In past anctions, Japanese institutional investors have bought about one-quarter of the long-term investments.

There is a withholding tax on domestic paper that foreigners have escaped by selling their hold-ings to domestic investors just be-The exchange feature is sup-posed to be the sexy part of the deal, making up for the unexciting margin over Libor. fore coupon payments.

The expected new rules will apply the withholding tax on an ac-crual basis, effectively eliminating the evasion and driving foreign in-vestors to the tax-free Euroyen

suffered last week was the Austra- Shear Paine. han-dollar sector. Domestic bond rates rose while the currency fell, even against the U.S. dollar.

Whereas the U.S. dollar dropped some 5 percent against the Deut-sche mark last week, the Australian dollar lost 5.6 percent against the U.S. correacy.

For West German purchasers of Australian dollar bonds, that meant a currency loss of almost 11 percent. Meanwhile, the price of the bonds dropped by some 11/2

Bankers calculate that it would The Euroyen paper, floating and fixed, was well received. take a 22 percent drop in the exchange rate to wipe out the gains a West German investor would expect to make from the higher con-

the brokerage. chairman of First Chicago Corp., the parent of First National, said pon on three-year investment in Australian-dollar paper.

EUROBONDS: Is Bigger-Safer? WIT: Wall Street Jokes Wear Thin earlier this month prompted this glum joke: "What's the difference

(Continued from first finance page) more jokes," said Edward E. Yarbetween Salomon Brothers and deni, chief economist at Pruden-tial-Bache Securities. other Wall Street firms? About two But when it happens to us, it's Politicians have also come under fire. One joke speared Scnator Jo-

not so funny." Still, almost all those interviewed volunteered that they had heard a few good jokes, although they admitted that many were too tasteless

Much of the burnor deals with the sell-off's impact on the lifestyle of high-flying investors.

"How many investment bankers can you fit into the back of a pickup?" goes one. "Only two - you have to leave room for the lawn Some are dusted off from previ-

ous crises and given a fresh spin. Leigh S. Curry, an institutional salesman at Paine Webber Inc., offers this one: "A woman walking down Wall Street sees a frog that begs, Kiss me and I'll turn into an arbitrager. The woman refuses. Not a chance, 'she says, putting the frog into her purse. 'A talking frog might be worth something.'"

A year or so ago, that one circulated with an Oklahoma oilman in the title role. Perhaps the most frequently beard joke of the past two weeks is:

"What do you call a Harvard MBA? Waiter!" Other jokes deal with the tur-moil's effect on securities firms

themselves. For example, the rumor on Wall Street is that two huge firms, Shearson Lehman Brothers The one bond market to have The new firm would be called The layoffs at Salomon Brothers

Wall Street," goes one golden oldic. "He used to have a corner on the market. Now he has a market on the corner." And: "Get my broker, Miss

Wood Gundy Falls Victim to BP Sale

Petroleum Co. stock appear to have agreement is still awaiting the apput in doubt First National Bank proval of U.S. and Canadian regulatory agencies. of Chicago's plans to take a stake in

William J. McDonough, vice that executives of his company and England would buy back shares at Wood Gundy would meet to assess their current trading value for the the impact of the BP transaction next month

decline on the stock market. This will mean

Q. At this point, U.S. policy makers do not have taken place, feed it into a computer

He said that when faced with an

one of uncertainty, often followed by a sense of relief that their worst

fears — the specter of Depression-era bread lines, for example — have

not come to pass. Only then do they

settle into the new economic reality.

reigns among consumers. "They no longer think that their views about

the economy are adequate and they don't know what to replace them

with," he said. "People are very un-

sure as to what it means to me, my

nowerful influence on the economy.

Consumers who are unsure what

their holdings will be worth, or

whether their jobs and incomes are secure, often decide to postpone or

scale back spending plans. The new car can wait, their think-

ing goes, as can the bigger house,

and maybe it would be a good idea

to hold the line on Christmas pre-

Uncertainty in itself, however, is a

job, my financial future."

Right now, he said, uncertainty

the impact on consumers.

As chief economist for Salomon Brothers Inc., the largest U.S. investment banking firm, Henry Kaufman has earned the distinction of being one of Wall Street's most influential forecasters. His views on interest rate trends in the United States routinely attract international attention. And his weekly Comments on Credit remains one of the most widely read pieces of research produced by Wall Street. He spoke with John Meehan, editor of the IHT's Personal

plications. Q. After the Oct. 19 stock market plunge, the Federal Reserve adopted a more ac-

commodative monetary policy. How long do you think this will last?

A. I believe that the Fed will maintain an easier stance in the near term. They have already taken the federal funds rate down from 7% to roughly 6%. This is one per-centage point down. I believe they will

probably try to stabilize bere until they have a better reading on the impact from the stock market decline on the economy. Q. When will we have a clearer idea of how badly the economy has been damaged?

A. We get the first reading this week with the 10-day auto sales figures. Next week,

some slowing that may, and I say may, indicate one quarter of negative real growth, and that's provided the prices of stocks stabilize. The slowdown would likely occur in the first quarter of next year

after inventories are drawn down. Q. What do you believe the Federal Re-

serve will do if there are strong indications of a slowdown? A. If that is the case, I believe there is a

MONDAY 0&A Investing section, about the turmoil in chance that the Fed will resume an easier the stock market and the economic impolicy, bringing fed funds down to 6 per-cent. It may even include a reduction in the discount rate by a quarter- to a half-per-centage point in the final quarter.

Q. What are the implications for the dollar on foreign exchange markets?

A. So far, the implication has been to put pressure on the dollar. The risk is for a further slide until it stabilizes, which I see at about a range of 1.60 to 1.70 against the Deutsche mark and a range of 130 to 135 for the yen. The need is to bring this about in a moderate fashion. We can't afford a free-fall. A free-fall would suggest to every-

one that our monetary policy is not flexible. This would arouse expectations in a oegative sense in the bond market that could bring about a sell-off, which in turn

While news reports spotlighted

ing canceled, surveys showed that

Coosumer confidence levels,

The Conference Board, a business

would have an adverse impact on the equity market.

A. What we need now is an extraordinary amount of international monetary cooperation, particularly with West Germany and Japan. There must be a willingness to reduce interest rates. In a sense, we're beginning to see some of this in Germany, where they lowered the rate on repurchase agreements, and both German and Japanese central banks have been substantial buvers of dollars. The pattern of Japanese and

will be critical. O. Given the clear concern about the dollar among foreign investors, do you believe U.S. monetary authorities will have to take stronger measures to ensure the success of

German interest rates in the weeks ahead

November's U.S. Treasury refunding? A. I don't think so. The Treasury refinancing is at much reduced proportions and the Fed is more interested in ensuring tranquillity at this point. Still, I doubt the Fed will initiate any additional easing prior to the refunding. Only if the stock market were to sell off sharply from here would we see any

change in policy. Then the Fed would push more liquidity into the market. Q. How real is the risk of a recession in the United States? Have you revised your own forecast for economic growth next year? A. This is the great analytical quandary. This is because there is on way that you can

take all the changes in stock prices that

figures on Wednesday.

to keep on ticking.

If sales remain at around the an-

consumers are shrugging off Wall

tute for Social Research, said it. The extent to which that phenom-

would be some time before it is safe enon is settling in will most likely to draw any final conclusions about show up in the 10-day auto sales

economic event of the magnitude of mull 6 million-vehicle rate that they the Oct. 19 plunge, people tend to go were running before the market through a period of disbellef into plunge, it will be taken as a sign that

Kaufman Sees 'Symbolic' Need to Reduce U.S. Budget Deficit appear to have many immediate options open to them. How can they engineer a gradual descent in the dollar?

and find out with certainty how it will affect the economy. I had forecast 3 percent growth for next year. It's certainty

going to be less, but it's too early to say by bow much. Q. Is a valid compromise in Washington on the budget deficit the only piece of news

that will calm financial markets? A. We need to reduce the budget deficit in the United States and get moving oo it in the next few weeks. In this connection, the budget deficit has become a symbol of how well we respond. There isn't any evidence to argue that a \$23 billion reduction will make the difference between stable and unstable markets. What is at issue here is that we put into place a plan for a downward adjustment in the deficit. But we need to demonstrate much more the maximum of international cooperation. Nations can't pursue narrow domestic goals and we cer-

bickering we saw a couple of weeks ago. Q. There has been speculation among a number of economists lately that attempts to narrow the budget deficit through higher

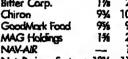
tainly can't afford the open fighting and

taxes could actually produce the recession it is designed to avoid. Do you share these A. When we're talking of only \$20 to \$30 billion at a time when the budget would have grown to \$180 billion when compared to \$148 billion last year, I think this con-

cern is overblown, especially given the ex-

traordinary symbolism, even internationally, given to reducing the budget deficit.

2% 1% 94 9%



Street's latest woes - or at least are taking a deep breath and betting that the economy is resilient enough

But if sales fall much below an annual rate of 5 million, it will almost certainly be taken as a warning that spending is slowing significant Ecocomists warn, bowever,

against putting too much stock in one-month changes in sales. The data are affected most of the time by special factors such as incentives of-fered to car buyers that temporarily inflate sales and make comparisons difficult Economists also point out that

consumer spending was easing off even before the stock market began its gyrations, at least partly because of high debt levels and the loss of some tax deductions on interest payments on consumer debt.

SELECTED D.S.A./O.T.C. OHOTATIONS

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Not. Business Systems 10% 11 WITH COMPLIMENTS OF

CONTINENTAL AMERICAN These are indicative market prices

How the extremely rich invest to stay that way. (Details in this paper soon)

GRINDLAYS CAPEL-CURE A member of the ANZ Group

Nevember 1997

New Issue

This announcement appears as a matter of record only



International Bank for Reconstruction and Development

Washington, D.C.

DM 200,000,000

57/8 % Deutsche Mark Notes of 1987/1992

Private Placement

Baverische Landesbank Girozentrale

Caisse des Dépôts

ASLK-CGER Bank

Amsterdam

Bremer Landesbank

CARIPLO

Cassa di Risparmio

delle Provincie Lombarde

DSL Bank

Deutsche Siedlungs- und

Landesrentenbenk

Landesbank Rheinland-Pfalz

-Girozentrale-

Landesbank Stuttgart

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Caja de Madrid

Die Erste österreichische

Spar-Casse-Bank

First Austrian Bank

Hamburgische Landesbank

-Girozentrale-

Girozentrale

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Bank in Liechtenstein (Frankfurt) GmbH Bank der Bondsspaarbanken N.V. Caisse d'Epargne de l'Etat du Grand-Duché

de Luxembourg, Banque de l'Etat Commonwealth Savings Bank of Australia through Commonwealth Bank of Australia

Första SparBanken

Landesbank Saar Girozentrale Sparkasse der Stadt Berlin West

Girozentrale in Berlin

A/B/C **Linion Bank of Norway** Landesbank Schleswig-Holstein Girozentrale

SwedBank

Zentralsparkasse und Kommerzialbank, Vienna

ment process." TORONTO - The large poten-

tial losses by a Canadian broker-age. Wood Gundy Inc., in underwriting the sale of British

Britain announced Thursday

"before proceeding with the myest-

"Yes, sir. Stock or pawn?"

First National agreed in June to pay about \$206 million for a 35 percent stake in Wood Gundy. The

that it would allow the £7.2 billion (\$12 billion) offer of shares in BP to proceed, despite the collapse in share prices, but said the Bank of Page 16 **NASDAO National Mart**

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The Board of Directors of HACHETTE S.A. met October 28, 1987 to approve the company results as at June 30, 1987.

The current trading result before appreciation and depreciation amounted to FF. 119.7 million, compared with FF 111.2 million in 1986. Following these adjustments the figures were up to FF. 155.6 million, compared with FF. 140.4 million. consolidated results which give a true picture of the situation of the Group, will be up by about 15% for 1987, and should amount to approximately FF. 250 million for the Group share, against FF. 216 million for 1986, prior to appreciation and depreciation, or some FF. 300 million following these administrates.

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60 P.D. message 63 Scot's uncle C New York Times, edited by Eugene Maleska.

SPORTS BRIEFS

Berger Easy Winner of Japanese Grand Prix

TOKYO (UPI) — Austrian Gerhard Berger, starting from pole position, led virtually from start to finish to win Sunday's Japan Grand Prix, bringing the Ferrari team its first victory in two and a half years.

During tire changes the lead briefly went to other drivers, but Berger dominated en route to Ferrari's first victory since the 1985 West German Grand Prix.

Berger completed the 51 laps of the 3.64-mile (5.86-kilometer) Suzuka course in western Japan in 1 hour, 32 minutes and 58.07 seconds, averaging 120.53 mph.

Ayrton Senna of Brazil drove his Lotus to second place, more than 16 seconds behind Berger, after overhauling Sweden's Stefan Johansson, who had to settle for third place in his McLaren only three-tenths of a second in arrears.

Brazilian Nelson Piquet, already assured of the 1987 Formula One drivers'

Brazilian Nelson Piquet, already assured of the 1987 Formula One drivers' championship, dropped out with five laps remaining when his Williams developed engine trouble. Piquet clinched his third world title when teammate Nigel Mansell of Britian, the only man who could have caught him, dropped out of the event after he was injured in an accident during Friday's qualifying.

Watson Extends Lead in Rich Golf Tourney

SAN ANTONIO, Texas (AP) — Tom Watson shot a 1-under-par 69 to maintain a four-stroke lead after Saturday's third round of the \$3 million Championships of Golf, the richest tournament in the sport's history.

Watson has led the event from the first day; on Friday, a 66 stretched his margin

to four strokes. Trying to end a nonwinning streak of more than three years, Watson had a 54-hole total of 200.

Mark O'Meara (a 66) and Mark Calcavecchia (69) were tied for second at 204. With a 68 that included a double bogey, Greg Norman was alone at 205, a stroke ahead of Larry Mize, Paul Azinger, Chip Beck, Corey Pavin and Bernhard Langer.

Solution to Friday's Puzzle



Baumann Retires

TORONTO (UPI) — Alex Baumann of Canada, who won two gold medals in the 1984 Summer Olympies, has retired from competitive swim-

ming.
"I can't really do any better in 1988 than I did in 1984," Baumann said Friday. "My body's getting quite a bit older.... The desire and motivation just aren't there."

Baumann won the 200- and 400meter individual medley events at the Los Angeles Olympics, setting world records in each.

HI, SWEETIE!

Those were two of the six world records be recorded, the first as a 17year-old in 1981.

THE NURSES ALL

LOVE ME ...

VANTAGE POINT/George Vecsey

The Children's Hour, the Parents' Pride

NEW YORK — Lee MacPhail could sit with his son at the moment of ultimate triumph while Frank and Helen Viola had to watch their son celebrate from a distance. But all three parents shared the joy of seeing somebody who used to be a child now handle the details and the pressures of being an adult.

For Lee MacPhail and for Frank and Helen Viola, that moment came last Sunday night in Minneapolis. Andy MaePhail is the 34-year-old general manager of the World Series champion Twins: Frank Viola Jr. is the 27-year-old most valuable player of the World Series.

There were moments when the parents realized that their own identities, their own accomplishments, would be slightly sublimated to their sons' achievements. To some people, in ways slight or major, they might be defined as

somebody's parent.
'Since I'm retired, it's made my summer very
enjoyable," said Lee MacPhail, who watched is son go into the family business.

Frank Viola, who watched his namesake take control of the seventh game of a World Series, also noticed how his son organized an outing to a restaurant the night before:

"We've always been close, none of that genera-tion gap stuff," the father said. "But I was always the father, they always listened to me. When we went out to a restaurant, Frank took care of everything. I found that kind of interesting."

What united Lee MacPhail with Frank and Helen Viola was the observation, made by them, confirmed by others, that the two sons were coping in a setting that turns some men cranky.

"Coming home on the plane the next morning." Frank Viola Sr. said, "a reporter said to me, "The thing that impressed me most about your son was not winning Game 1 or Game 7, but that after losing Game 4 be dido't act any different. He came out and talked to us,' I was proud to hear the reporter tell me that."

Parents hope that their lessons, their values. will some day come in handy, but they usually cannot guide their children's careers. Lee's fa-

AND I LOVE ME!

ALL THE BLICKS

ther, Larry, the innovative general manager with Cincinnati, Brooklyn and the New York Yankees, had made Lee work on a cattle ranch, literally shoveling manure, before Lee could take a job in baseball.

While Lee was becoming general manager at Baltimore and New York and then American League president, he and his late wife urged the children to go to college and read history and biographies before settling into a career.

There were moments when the parents realized that their own identities. their own accomplishments, would be slightly sublimated to their sons' achievements. To some people, in ways slight or major, they might be defined as somebody's parent.

"I pointed out to my kids that there are only a few jobs," he recalled. "My oldest son was a general manager at Reading before he was killed in an auto accident. My second was working for the Pirates before his bride discovered that baseball executives work all day and then go to the games at night. Then Andy."

Andy MacPhail worked odd jobs at Yankee Stadium, went to Dickinsoo College and worked for the Cubs and the Astros before taking over the Twins in 1986. While he finetuned the clob, Andy hired Ralph Houk as a consultant and often asked advice of his father.

Defeat Jets

Dickerson's D

Trade From sounding board," Lee MacPhail said. "He knows more about his team than I do."

At the final out last Sunday, Andy MacPhail was in his private box with only one other person
— his father. Lee said, "We sort of embraced a
little bit, patted each other on the back." Frank Viola Sr. knows baseball, too, but as a

devoted New York Giants fan, He recalled: "I would tell Frank how Carl Hubbell might give up a home run but then go on to get the next batter. Lots of times, if something happened to Frank, he would feel sorry for himself and lose his concentration."

During the league championship opener, Frank Jr. let a 4-1 lead get away before the Twins finally won the game. That night, while staying at his son's house, the father could not resist saying. "It just seems to me that a man of your experi ence should have been able to hold the lead."

Frank Sr. recalled: "My son said, 'You don't understand, but on his way up to bed he turned to me and said, I explained it to 250 reporter.

to me and said, I explained it to 250 reporters; but I've never been able to con you."

The parents missed the opening game of the World Series because of the wedding of their younger son, John. Then they saw Frank Jr. lose in St. Louis or Tom Lawless's home run. "In the seventh game, I just didn't want him to be embarrassed...," the father said. "Around the fourth inning, I saw the look on his face, that determined look, and I knew he

was all right." Frank and Helen Viola remembered their own identities during the Series; he is the comptroller of radio station WEVD in New York, she is a part-time corrections officer.

The honors keep rolling in for their son: Thursday the White House; Friday in New York he was awarded the Sport magazine car as most valuable player in the Series. The parents hope their son will keep his identity, but they

know it is not as easy for a star.

"You always worry," said Helen Viola. "He's

27. He could change. But be's still fun to be
with. As a mother, I'm very proud of that."

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Answer: Some members of the younger generation may be alike in many of these—
"DIS-RESPECTS"

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HELLO YOU'RE ON THE AIR JUMBILE THAT SCRAMBLED WORD GAME
by Henri Arrold and Bob Lee











REX MORGAN













HONG KONG: After Free-Fall, Fear Lingers

(Continued from first finance page)

the territory's gleaming business district. It is the economic equivalent, magnified a few times, of the apprehension that some Chinese hold of a devastating earthquake.

It is an edginess, an uncertainty and volatility, that will greatly complicate the territory's greatest challenge over the next few decades; its return to China on July 1, 1997, and the task of integrating one of the world's most freewheeling economies with one of the most con-

Business in Hong Kong is as ruthless and colorful as ever, but it is changing in three fundamental ways. The turmoil in the last few weeks underscores them all;

 China is increasing its business and supervisory role in the territory, 10 years before it becomes the landlord. The Beijing-based Bank of China was a major participant in a rescue package to bolster the futures exchange. China even risked its scarce foreign exchange on a buying spree of Hong Kong shares to help save the capitalists from themselves.

When Kari Marx forecast that increasingly turbulent business slumps in capitalist societies would culminate in a communist revolu-tion, he did not count on neighboring communist countries bailing them out.

 Hong Kong, more than ever, is becoming an international business center. Of course, the territory has always been sensitive to circumstances abroad, but the interaction has been

Today perhaps one-third of Hong Kong shares are owned by outsiders: Japanese, Brit-ons, Americans, Taiwanese and Chinese. Foreign capital also has made tremendons inroads in the last two years in the local property market and even in businesses such as retailing, where big Japanese companies dominate the department store market.

 Laissez-faire remains Hong Kong's motto, but not necessarily its guiding light. After the first plunge on the stock market, the stock exchange closed its doors for nearly a week. The move led to lierce criticism of Ronald Li, chairman of the exchange.

chairman of the exchange.

And the Hong Kong government twice intervened with rescue packages to bail out the futures exchange. Now, the government is talking about other regulations, such as higher capital requirements for financial firms and laws to make insider trading a crime.

And for the last four years, the Hong Kong dollar has been pegged to the U.S. dollar instead of floating freely.

It is the China coonection that looms largest over Hong Kong, Gordon Y.S. Wu, the head of Hopewell Holdings Ltd. in Hong Kong, remarked, "We're sitting on the edge of one hillion people, who 15 years ago were waving little Red Books" of Mao Zedong.

Now, as Mr. Wu ootes, those people are settling down on farms and factories to make wavener Linder the senior Chinase leader.

money. Under the senior Chinese leader, Deng Xiaoping, China is experimenting with stock markets and free enterprise. But Mr. Deng is 83 years old, and his successor may oot be so quick to equate prosperity with righteousness.

Hong Kong is probably the closest approximation on earth of pure capitalist mercantilism. That formula has made it the 12th-higgest exporter to the world, a speck with 5.6 million people who in a few decades have achieved a per capita income that is higher than that of Spain or Ireland.

Most of the population has come to Hong Kong from China in the last 40 years and has Kong from China in the last 40 years and has unpleasant recollections of Communist rule. Some Hong Kong companies, such as the Jardine Matheson group, lost their holdings in Shanghai when the Communists arrived there in 1949. Those firms do not want to repeat the experience in Hong Kong in 1997.

Thus the overriding question in Hong Kong, on which every business is gamhling its future, is this: Will China let Hong Kong be Hong Kong? The answer that people give, increasingly, is yes.

In the last few years China has come across as so determinedly capitalist — at least in its operations in the territory — that the consensus is growing that China sincerely does want to make Hong Kong work, that it has too much at stake to allow the territory's position to

Thirty percent of China's exports pass through Hong Kong, and Iwo thirds of its foreign investment comes from the territory. The fortunes of the one billion people north of the double barbed-wire border fence depend nearly as much on Hong Kong as the other way

Serious doubts remain, of course. Even if China wants to make Hong Kong succeed, will it be clumsy and heavy-handed so that it fright-ens the territory without really mening to? Some analysts also worry that Chinese-owner companies in Hong Kong are over-extended and could fail if the economy cools. That, they think, might lead to intervention from Beijing and preferential treatment that would upset

the rest of the business community.

Hong Kong's business leaders disagree on whether the crisis represented by 1997 is a danger or an opportunity. Mr. Wu sees Hong Kong as the future "New York of China," the financial center for the manufacturing hinterland. Mr. Wu's stock phrase is that "Hong Kong will be the storefront, and the Pearl River delta of China will be the factory." Many of Hong Kong's manufacturers are

similarly optimistic, but its brightest young professionals — foreign-educated bankers, doctors and lawyers — generally seem unconvinced. They are emigrating, just in case things And therein lies part of the danger for Hong

Kong, whose business community is losing its best people as fast as it can train them. Money is leaving, as well as people. Real estate prices in Chinatowns from Manhattan

to Sydney are soaring as Hong Kong investor diversify their portfolios and bid up prices. Yet, it is striking that investors are salting away only a portion of their assets, and that even those who emigrate do not take all their mency with them.
"Most of their assets are working furiously

in Hong Kong," said Richard H. Redknap, director of RIA Land Co., which helps Hong Kong residents buy foreign properties.

David K.P. Li, the chief executive of the

David K.P. Li, the cinet executive of the Bank of East Asia in Hong Kong, explains: "Hong Kong is still a very good place to make money—and to keep it, because of low taxes." Perhaps it is natural that people are more cautious in gambling with their own futures than in betting with their money.

In any case, at the same time that the territory suffers a crush around the exits, it has also seen an infusion of capital and —at least until the steek market crash —a become in its proper-

the stock market crash —a boom in its property and stock markets. Much of the boom has come from an inflow of capital from Japan, the United States, Britain and even China, more than compensating for the capital flight. Now, Hong Kong seems to be at a cross-roads. In the stock exchange, in offices, even

on the twisting streets, there is a sense that the colony is teetering. Many people remember growing up with

poverty: and memories of the stunning 92-percent drop in stock prices in the 1973-74 market crash remain fresh. As they peer off the precipice, firm ground seems far more distant than it does to an investor or business executive in New York or London.

The current crisis was oot caused by China, but it is exacerbated by the knowledge that a "cruncb" had been widely predicted a few years hence, as 1997 draws closer. Mayby people worry, the crunch has come early. Yet, if people worry, they also know that in

the long term, no one has ever made money bettiog against Hong Kong. If the psychology can be reversed, the underlying economy is

Stock Mutual Funds Mostly Trailed Market

By Eric Berg New York Times Service

NEW YORK — Many individual investors who thought they would be safer in stock mutual funds had a nasty awakening in the stock market fiasco: The majority of funds

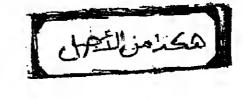
performed worse than the marker.

"The funds just didn't do as well as one would have liked," said Michael Lipper of Lipper Analytical Services Inc., which tracks their performance. Of 857 stock-oriented mutual funds that

Of 857 stock-oriented munual funds that reported to Mr. Lipper's firm for the two weeks ended Thursday, 287 produced a total return for investors better than the 17.88 percent drop in Standard & Poor's 500-stock index, while 570 funds did worse.

The top performing fund, Oppenheimer Ninety-Ten Fund, had bought put options — options to sell at an agreed price at a specific time, made in expectation of falling prices. Others that gained relied on buying stocks with a history of fast earnings growth or large dividends, or invested heavily in foreign securities: "No way was it luck," said Milton Berg, manager of Ninety-Ten Fund and the No. 2-ranked Premium Income Fund. "About the third week in September, I wrote a 35-page

third week in September, I wrote a 35-page report for my firm predicting a terrible stock



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SPORTS

Colts Defeat Jets, 19-14, In Dickerson's Debut After Trade From Rams

EAST RUTHERFORD, New Jersey — Albert Bentley, whose role is likely to shrink with the Colts' acquisition of Eric Dickerson, gamed 145 yards and Dean Biasucci kicked four field goals Sunday to lift Indianapolis to a 19-14 victory over the New York Jets.

The Colts, 4-3, remained tied atop the American Football Concepts of the Saints of the Sain

NFL ROUNDUP

ference East in the National Football League.

Dickerson, acquired from the

Los Angeles Rams on Saturday in a three-team deal, rushed for 38 jards in 10 carries in his debut with the Colts. His biggest contribution came on a 28-yard swing pass in the first quarter. Bentley carried the brunt of the rushing with 29 carries.

The NFL's leading rusher in three of his first four seasons, Dickerson was traded after continuing contract disputes with the Rams. The Buffalo Bills acquired linebacker Cornelius Bennett, the Colts' unsigned first-round draft pick, as part of the deal.

Sources familiar with the trade said Dickerson had signed a contract for three years worth \$1 mil-

Asked about his new contract on Saturday, he said: "Let's just say it's fair. Very, very fair." At halftime, the Jets retired the

No. 13 worn for 13 seasons by receiver Don Maynard, enshrined in the Hall of Fame this year. Joe Namath, who for years teamed with Maynard to form one of pro football's most lethal passing combinations, is the only other Jet to

Saints 38, Falcons 0: In Atlanta, Bobby Hebert completed his first



Eric Dickerson — of the Colts.

ing drives as New Orleans routed the Falcons. It was the sixth shut-

complete three for 39 yards in a 46yard drive that ended on Barry Word's 1-yard run, giving New Or-leans a 14-0 lead with 55 seconds left in the opening period.

Redskins 27, Bills 7: In Orchard

Park, New York, Jay Schroeder threw two touchdown passes to Kelvin Bryant and the Washington defense intercepted Jim Kelly three

Running back George Rogers returned to the Redskins' starting lineup after a shoulder injury and keyed the Washington rush tack with 125 yards. The Redskins defense limited the Bills to 21 yards rushing with forced four turnovers.
Kelly completed 25 of 43 passes for 292 yards. The Bills dropped to

Bears 31, Chiefs 28: In Chicago, Jim McMahon passed for three touchdowns, including a 38-yarder to Willie Gault with 4:44 left, and Dennis Gentry returned a kickoff 88 yards for another touchdown to lead the Bears to a comeback vic-

tory over Kansas City.
It was the first start of the season for McMahon, who returned from shoulder surgery in the second half of last week's game. He completed 23 of 34 passes for 287 yards and extended his streak to 24 victorious starts. His late heroics, including a a 25-yard touchdown pass to Gault earlier in the fourth period, offset four touchdown passes by Kansas

City's Bill Kenney.
The loss was the sixth in a row for the Chiefs. The Bears raised their record to 6-1.

Dolphins 35, Steelers 24: In Mi-ami, Dan Marino weathered a shaky start in the rain and passed for four touchdowns and 332 yards to lead the Dolphins past Pitts-

The NFL's all-time top-rated quarterback completed 25 of 31 attempts, including scoring passes of 41 and 33 yards to Mark Clayton and 50 yards to Mark Duper that helped the Dolphins overcome a 21-7 halftime deficit.

Marino, throwing for 300-plus yards for the 24th time in his four-year career, also tossed a 2-yard TO pass to Bruce Hardy in the second quarter. It was the 14th four-touchdown game of his career, three shy of the NFL record held by Johnny Unitas, and gives him 14 touchdown passes in four games in 1987. (AP, UPI)



Despite a crunching tackle by Arizona State's Stacy Harvey, Mike Farr held onto this first-quarter pass for a UCLA first down Saturday in Tempe, Arizona. The Bruins won, 31-23.

UCLA Downs Arizona State; Indiana Falls

Compiled by Our Staff From Dispatches
TEMPE, Arizona — UCLA solidified its
drive for a berth in the Rose Bowl Saturday while the scramble intensified for the other one. Paco Craig caught two touchdown passes during a 17-point UCLA outburst in the third quarter, leading the Bruins to a 31-23 victory over Arizona State in a Pacific-10 conference game. In Iowa City, Iowa, David Hudson scored on a

one-yard run and Rob Houghtlin kicked the last of his three field goals with 1:57 left, helping Iowa defeat Indiana, 29-21, and stall the Hoosiers' drive to their first Rose Bowl in 20 years.

The Hoosiers fell a half-game behind Michigan State in the Big Ten standings after the Spartans downed Onio State, 13-7. The Spartans and the Hoosiers will meet in two weeks in

tans and the Hoosiers will meet in two weels in East Lansing, Michigan.

"This is going to be a dogfight the rest of the way," said Indiana's coach, Bill Mallory. "We can't play again the way we did in the first half today and expect to win."

Clouck Hartlieb connected on 19 of 27 passes for 271 yards and one touchdown as the Hawkeyes improved to 6-3 overall and 3-2 in the Big Ten. Indiana, which led 21-20 with 14 minutes

Ten. Indiana, which led 21-20 with 14 minutes left, fell to 6-2 overall and 4-1 in the conference. Michigan State, stung by a 79-yard touch-down pass on the first play from scrimmage, overwhelmed Ohio State the rest of the way in taking the Big Ten lead. The Spartans are 5-2-1 overall and 4-0-1 in the conference. Ohio State slipped to 5-2-1 and 3-2.

In Tempe, UCLA's Gaston Green, who entered the game second in the nation in rushing. was minus 5 yards in six carries before leaving the game with a shoulder injury. Brian Brown led the Bruins in rushing with 134 yards on 19 carries, 74 of those yards on a touchdown run with 2:12 left in the game.

UCLA is 7-1 overall and 5-0 in the Pacific10. Arizona State dropped to 5-3 and 2-2.

Oklahoma 71, Kansas 10: In Lawrence, Kansas, Patrick Collins ran for two touchdowns and sas, Paintal Counts ran for two touchdowns and six other Sconers scored rushing touchdowns in a 565-yard ground assault. Oklahoma, 8-0 overall and 4-0 in the Big Eight, has won 17 straight games. The 71 points is the most ever allowed by

Kansas, 1-7 and 0-4. Last year Nebussiaso 70 points against the Jayhawks. The Sooners scored on three of their first four

possessions to give Coach Barry Switzer his 145th Big Eight victory, tying him with Bud-Wilkinson, his predecessor, for most victories in the conference. Nebraska's coach, Tom Osborne, also has 145 victories after the Cornhuskers defeated Missouri.

Nebraska 42, Missouri 7: In Columbia, Missouri, Steve Taylor, threw four teuchdown passes and ran 22 yards for another store in

COLLEGE FOOTBALL ROUNDUP

Nebraska's pounding of Missouri. Tight end Tom Banderas tied a Nebraska recordby catching three to nuchdown passes. Nebraska 8-0 fumbled on its first two possessions, but raced to a 28-7 halftime lead. Taylor completed eight of 13 passes for 139 yards and gained 75 yards on 14 rushes. on 14 rushes.

on 14 rushes.

Syracuse 24, Pittsburgh 10: In Pittsburgh,
Don McPherson passed for two touchdowns
and ran for another to help Syracuse overcome
its last major obstacle to an undefended season.

and ran for another to neap syracuse overcome its last major obstacle to an undefeated season by downing Pittsburgh. The Orangemen brought their season record to 8-9, their best start since they won the national title in 1959.

Boston College 20, Tennessee 18: In Chestmut Hill, Massachusetis, Jun Anderson recovered a fambled kickoff and freshman tailback. Tim Frager convested the turnover with an 8-yard scenner for the touchdown, helping Boston College, 5-4-kidge the Volunteers, 5-2-1.

Notre Dame 36, Navy 13: In South Bend, Indiana, Anthony Johnson an for four touchdowns and Mark Green gained 102 yards on the ground, powering the Irish, 6-1, to victory. Johnson finished with 25 yards on five carries. Navy has lost seven times in eight outings.

Louisiana State 42, Mississippi 13: In Jackson, Mississippi, Tom Hodson hooked up with Wendell Davis on three scoring strikes to lead LSU and strengthen the Tigers' hold on first place in the Southeast Conference. The Tigers improved to 7-0-1 and 4-0.

Alabama 21, Mississippi State 18: In Bir-

m, Alabama, Bobby Humphrey became Alabama's all-time leading rusher on his first run of the game and scored the winning touch-

run or the game and accred the winning touchdown with 46 seconds left to lift the Crimson
Tide past Mississippi State.
Clemson 31, Wake Forest 17: In Clemson,
South Carolina, Joe Henderson rushed for 131
yards and two fourth-quarter touchdowns, rallying the Tigers to a 7-1 overall mark and 4-1 in
the Atlantic Coast Conference, Wake Forest

fell to 5-3 and 2-3. Florida State 73, Tulane 14: In Tallahassee, Florida, Danny McManus threw three touchdown passes and Dayne Williams acored on three one-yard plunges to power Florida State's victory. Sammie Smith added three touch-

the Atlantic Coast Conference. Wake Forest

downs as the Seminoles improved to 7-1.

Aubiern 29, Florida 6: In Aubiern, Alabama, Harry Mose and Stacy Danley each rushed for a Harry Mose and Stacy Daniey each Itished to a touchdown and Jeff Burger passed for another to the fift Auburn over Florida. Auburn improved to 7-0-1 overall and 3-0-1 in the Southeast Conference. Florida dropped to 5-3 and 2-2.

Fenin State 25, W. Virghia 21: In University Park, Pennsylvania, Blair Thomas rushed for 78 week on 36 ceruses as Penn State railied for

181 yards on 36 carries as Penn State rallied for two touchdowns in the final eight minutes to beat West Virginia and boost its NCAA record for consecutive nonlosing seasons to 49.
Oklahoma State 56, Kansas State 7: In Stillwater, Oklahoma, Thurman Thomas rushed for

130 yards and three touchdowns in spark Okla-homa State over Kansas State, which is without a victory this year.

Missel 41, East Carolina 3: In Greenville,
North Carolina, Steve Walsh passed for 212

yards and three touchdowns in the Hurricanes

yards and three touchdowns in the Hurricanes' 27th straight regular-season triumph. Miami improved to 6-0. East Carolina fell to 4-5.
South Carolina 48, North Carolina State 0: In Columbia, South Carolina, Harold Green scored three touchdowns and South Carolina, 6-2, held its opponent to 36 yards of offense.
Arkansas 38, Rice 14: In Houston, James Rouse ran for three touchdowns and Green Rouse ran for three touchdowns and Greg Thomas added another score to lead Arkansas, 6-2 overall and 4-1 in the Southwest Conference. Rice fell to 2-7 and 0-5.



Guided by Laffit Pincay Jr., Le Glorieux, right, rallied from 17 lengths off the pace to win with a rail-languing stretch run. through on the rail to win the 5750,000 event by a neck. Motley

West German 3-Year-Old Takes D.C. International

By Andrew Beyer

Vashington Post Service LAUREL, Maryland — They played the West German national 2-4/5 seconds.

The most ballyhooed horse in the Coniet Union's Gjatsk, anthem after Saturday's Washington, D.C., International, but the lyrics might well have been altered to "Pincay Uber Alles."

It was Laffit Pincay Jr.'s cool and flawless ride that brought Le Glorieux his narrow victory in the 36th and richest running of Laurel

If Pincay had made even one small mistake, or had failed to save ground on both turns, Maryland's sensational 18-year-old jockey. Kent Desormeanx would have won on the front-running U.S. long shot Great Communicator. But Pincay managed to get Le Gloricux

overtaken in the closing stages and placing fourth in 2:12:03, behind

Gianni DeMadonna of ftaly

(2:11:53) and Pete Pfitzinger

(2:11:54), the 1984 U.S. Olympic

Trials marathon winner. Tominy

Ekblom of Finland finished fifth in

was third, a nose in front of Stately

Don. Le Glorieux covered the 114

field, the Soviet Union's Gjatsk, never got into contention. "He was not in the same class as these horses," jockey Marat Kojomzharov conceded after Gjatsk struggled home in 13th place, 17 lengths behind the winner. (It was a bad day Race Course's most prestigious all around for the Eastern bloc: Poland's Omen finished 11th in the International and another Soviet horse, Star, was trounced in a lesser

handicap race.)
Le Glorieux is a true internationalist. His ownership is West German, but the colt is a son of the Le Fabuleux mare La Mirande and the former Maryland star Cure the Blues. Le Glorieux was bred in Enpland and is trained in France by

The 3-year-old wasn't considcred a top horse abroad. He tories when he shipped to West Germany to run against somewhat

inferior competition. But when he came to the United States and finished second in the race. The top U.S. finisher here in Man o' War Stakes at Aqueduct last 1984 (fourth) and 1985 (third), Pe-weekend, he earned the favorite's Man o' War Stakes at Aqueduct last

tersen set a blistering early pace, role in a weak International field.

Opening a 35-second lead at five Refore the race Collet told Pire Before the race, Collet told Pinmiles. He was on a record 2:04 pace cay to put the colt in third or fourth before Hussein recled him in just place in the early stages. That place in the early stages. That would have been a good spot, but would have been a good spot, but' Petersen hung on to second most of the rest of the way before being the horse wouldn't cooperate. "He just didn't seem to be willing to go," Pincay said. "Going into the first turn I was way behind, and f

said: 'What the hell am f doing back here?" While Le Glorieux dropped well out of contention, Great Commu-nicator and the English colt Risk Me raced head and head for the

Hussein, the first African to win here, ended a string of three consecutive victories by Italian runners. Orlando Pizzolato ners. Orlando Pizzolato won in shot up the rail to make a chausagners. Orlando Pizzolato won in shot up the rail to make a chausagners. 1984 and 1985, and Gianni Poli for the lead. But he couldn't get through cleanly, and jockey Cash Asmussen steaded him, losing his at a crucial moment. That left Great Communicator with a clear lead as the field turned for home. And Le Glorieux still

didn't seem to be going anywhere.
The favorite had been some 17 lengths behind in midrace and as he straightened into the stretch he still had half a dozen horses in front of him. Pincay had made the best of a bad situation, trying to save ground on the turns. Having done so, he had to hope that he would find running room on the rail in the

Pincay steered Le Glorieux around the tiring Risk Me in the early part of the stretch run, and then went back to the rail. "I was kind of lucky the field was spread out," he said, "f had to maneuver in and out, and then I hoped that the borse in front was going to drift

Great Communicator was holding off challenges from Motley and Stately Don, but he is not a strong finisher. In fact, his only victories this season came in a claim and an allowance race in California. So When Le Glorieux got into gear and found plenty of room on the inside, the leader couldn't hold him off.

Le Glorieux won \$450,000, increasing his lifetime earnings to \$802,889. The International's crowd of

20,654 was somewhat of a disappointment, since the presence of the Soviet horse had figured to be a box-office attraction. But the crowd bet \$2,813,300, an all-time Laurel record, on the 11-race pro-

SCOREBOARD Hockey

NHL Standings WALES CONFRRENCE Trision L T Pts GF GA 4 0)2 44 42 4 1 11 33 23 0 1 11 44 48 6 2 10 27 40

Smythe Division

4 0 0 12 49 41

5 1 11 44 44

4 0 10 28 29

7 1 7 27 45

2 4 1 0 31 37 PRIDAY'S NESULTS

Mostreal

PRIDAY'S NESULTS

8 1–5

Detroit

Corson (4), Chelies (5), Ludwis (1), Section (2), Murphy 9 (2), Probert (4(, Stats on speat: Ment. (on Hanlon) 10-10-30; Det. (on Hayword) 9-10-4-05.

Los Angeles

1 8 9–3

Buffelo (1), Arniel (3), Creishton (1), Krupp (3), Housley (8); Paterson (1), Stots on seet: Los Angeles (on Puppa) 11-6-9-26; Buffelo (on Melanson) 13-9-3-30.

Weshlespen 8 2 2 9–2

Weshlespen

1 2 8 8-3 1 2 8 8-3 Ashlon (3), Burr (3), Yzarmon (8); Gümour 1 8 8 8-3 Ashlon (3), Burr (3), Yzarmon (8); Gümour 1 8 8 8-3 1 1 1 8-3 Ashlon (3), Burr (3), Yzarmon (8); Gümour (4), Hunter (3), Shots en goel: Detroit ion Atlien) 10-8-9-2-29; St. Louis (on Sieton) 9-12-9-5-25.

European Soccer

SPANISH PIRST DIVISION
Athletic de Bilbon C. Real Modeld 0
Celto 2. Real Modeld 0
Celto 2. Real Modeld 0
Celto 2. Zaropano 1
Lorrones 0. Bercelono 1
Attetico Madrid 3, Valledelja 0
Sobadell 0, Real Socieded 2
Majorco 3, Murcia 3
Seville 0. Ocesuno 2
Codiz 2, Los Polimes 0
Votencio), Gillon 1
Politis: Real Madrid 17: Affetico Model

Points: Real Madrid 17; Affection Modrid 14;

ITALIAN FIRST DIVISION ASCOIL & Verong I Florentino 4, Pescora 8 Juventus 3, Avelilno 0 AC Milen & Torino 6 Nopell 2, Empell)
Pisa 2, Internazione

Remg 2, Como 1 Points: Noseil 13; Rents, Sempderio 10; Points: Noseil 13; Rents, Sempderio 10; Florentina, ACMilon 9; Juvethu, Inter Milon 8; Verono, Torino, Pescoro 7; Ascol 6; Pisa 5; Coma 4; Cesano, Avetlino 3; Empell -2. ENGLISH FIRST D(VISION Chorton L Southernsten 1
Chelsen 2 Oxford 1
Derby 2 Coventry 8
Monchester United 2 Nothinshor
Nervosite United 0, Arsend 1
Norvich), Queens Pork 1
Portamonth 1, Sheffield Wednesd

mouth 1, Sheffield We sham 0, Wimbledon 2 rd 1, West Ham 2

Liverpool 2, Everton 0
Polariz Liverpool 31; Arsenal, Queens Park
29; Nottinahara Ferest 27; Manchester United,
Cheiseo 25; Everton 22; Tottenhora 20; Southamoton, Oxford 17; Derby, Coventry 16; Wimbledon, West Ham 15; Newcostle, Partemouth
13; Luton, Sheffield Wednesday 12; Norwich
11; Wolford II; Chariton 4.
FREEKCH FIRST DIVIDION

Numbes 2, Connes 1 Metz 2, Niort 0 Auxerre 3, Poris-St. Germoin 0 Morsellie 1, Toulouse 0

Brest 2 Line 2
Loved 4, Le Havre 3
Paints: Monoco 25; Nortes, Bordeaux 21;
Metz, Mortra Racins 29; Morseillo 19; Auxerre, Niort, Connes, St. Erlenne 18; Monthelller 17; Tostion, Lille 16; Nics, Toulouse 15;
Lovel, Lens 14; Ports-St. Germain 13; Brest,

WEST GERMAN FIRST DIVISOR WEST GERMAN FIRST DIVISON Werder Bremen 2. Eintrocht Frankfurt 6 Cologne 1. Homburg 9 Nuremberg 2. Honover 1 Stuttgert 4. Boyer Leverkusen 1 Boyer Verdinsen 2. Borussla Dertmund Boyern Munich 2. Borussla Dertmund Boyern Munich 2. Bochum 6 Karfaruhe 2. Homburg 1 Kolserslautern 2. Weldhof Mannhelm 2 Borussla Mänchenglodboch 3. Schalke 9 Pelasts: Werder Bremen, Cologne 22: Borussla Mänchenglodboch 14.

Football

soot: Colpory Ion McLeon) 8-11-44-25; Von-couver (on Vernon) 11-15-41-33.

SATURDAY'S RESULTS

EAST

seeti: Colpory for McCLScri) 5-11-4-33.

SATURDAY'S RESULTS
N.Y. Revisers
N.Y. Virginio
Newthering
N. Revisers
N.Y. Revisers
N.Y. Revisers
N.Y. Revisers
N.Y

LSU 42, Mississippi 13 Miami (Fig.) 41, E. Carolina 3 Weshington 1 8 8 8-3 Almesseta Ridley (41, Stevers (1), Hunter (5); Action 8 (4), Braten (4), Stevers good; Washington (on Becouper 18-712-2-39; Minnesota (on Motor-chulk) 5-8-11-0-24. M. Carolina 27, Maryland 14 S. Carolina 42, N. Carolina 9

Akron 23, Nicholis St. 17 Akres 23, Nichelis 51, 17
Bell St. 42, N. Illineis 17
Cent. Michigen 30, W. Michigen
Celorado 42, Iswa 51, 10
Droke 36, Concordia (Wis.) 13
E. Michigen 34, Olafo U. 16
Illinois 27, Mirntesota 17
Indiana 51, 24, 5, Illinois 15
Iswa 29, Indiana 21
Kant 51, 17, Toleda 13
Micmi (Ohio) 17, Bowline Gree
Michigen 92, Northwestern 6
Michigen 91, 13, Ohio 01, 7
Nebroska 42, Missouri 7
Netro Demos 55, Nory 13 Nebroska 42, Missouri 7 Notre Dame 56, Navy 13

Arkonsos 38. Rice 14 Arkoneos 38. Rice 14 .
Oktohorna St. 56. Kunsos St. 7
Texos Al.M 32 Localidas Tech 27
Texos Al.M 32 Localidas Tech 2
Texos Christian 25. Houston 7
Texos-El Paso 24. New Maxico 0 FAR WEST Arizone 23, Storrford 13

Sen Diego St. 29, Howell 21 Son Jose St. 24, Utah St. 14 Southern Cal 42, Washington St. 7 Washington 24, Gregon St. 12 Wyorning 20, Colorado St. 15

CFL Standings

10 0 1 44) 7 9 0 401 3 14 0 256 6 0 425 324 20 6 0 544 408 29 8 0 377 448 16

BASKETBALL National Basketholi Association
DALLAS—Waived Dennis Nutt, guard,
DENVER—Signed Eiston Turner, guard,
HOUSTON—Waived Andre LaFleur and

Canadian Feethert League
CALGARY—Activated Bruas Gerania, detensive back from the practice rester. Activated Hamalet Hallman, defensive tackle, from the reserve list. Placed David McCrary, cor-nerback, and Kent Warmack, defensive end.on the reserve list. Placed Kirby Warren, run-ning back, on the practice ruster. HAMILTON—Activated Aivin Balley, de-Mark Rapid House Lance Shields, defensive back, on Injured reserve. Reseased Jeff John-son, running back; Mitchell Price, defensive tockle, and Jeff Trefflin, defensive back, Activated David Dan fersive back: Bruce Elliet, Resbocker, and Gene Thomas, wide receiver, from the protice roster, Activated Gifter! Renfros, substances, Activated Gifter! Renfros, substances, and the reserve list. Placed John Consemi, quarterback: Deron Major, defensive back, and Brion Walling, runnins back, on the reserve list. Placed Stanley Johnson, wide receiver, on the Procicio roster. WINNI PEG-Activated Sheldon Galines, wide receiver; Stan Mikzwos, defensive tockie, and Ed McQuarters, suard, from the procice roster. Placed Jorns Murphy, wide receiver, on the reserve list. Released Nick Bastula, guard; Eric Emery, linebacker, and Bennie Thompson, defensive back.

Eric Ernery, linebacker, and Bennie Trempson, defensive back.

Meticael Foetbell League
ATLANTA—Signed Ciris Miller, quarterback, to a five-year contract.

BUFFALO—Signed Correlios Bennett,
linebacker, to a five-year contract.

GRERN BAY—Activated Brent Moore, defersive end, from fulured reserve.

KANSAS CITY—Signed Murit Keef, tight
and, Plocad Gary Baldinger, defensive linemon, on fulured reserve. and, Pioces dery bestelligt, certainer information in Interest reserve.

L.A. RAMS—Truded running bock. Eric Dictorson to Indicensellig for running bock. Owen Giff, first- and second-round droft choices in 1988 and a second-round droft choice in 1998, Acquired running bock. Great Bell, a

Auto Racing

JAFANESE GRAND FRIX (At Suzzine, Japan) (A) Sazzem, Japoni 1. Gerbard Berger, Austria, Ferrari; 1 hour, 12 minutes, 58,072 seconds; average speed 120,500 mph (192,847) 2. Ayrhan Senna, Brazil, Latus Honda; 120,1467.

TAG; 1:33:15746.
4 Michele Alboreto, Italy, Ferrori; 1:34:18,513. 1:34:18.513.
5. Thierry Boutsen, Belgium, Benetton
Ford; 1:34:21.64.
6. Satoru Nakadima, Jopen, Latus Hondo:
1:34:34.551.
7. Algin Prost, France, McLaren TAG;
1:32:59.440; 1 lop behind.
8. Jonothan Polmer, Britain, Tyrnell Ford:

Men's Tournament

1.32:4276; 1 lop. 9. Eddle Cheever, U.S. Arrows Megalf 1:33:5382;) lop. 10. Derek Warwick, Britain, Arrows Me fron: 1:34:42278; 1 lop.

DRIVER STANDINGS

1. Nelson Placet, British, 17 points.

2. Niget Manual, British, 4). 2. Ayrton Seana, Brozil, 57. L Algin Prosts France. 46. 4. Gerhard Berger, Austria. 27.
7. Teo Febl. (toly, and Thierry 80 9. Michele Alboreto, Ilaly,)). 10 Eddle Chesver, U.S., 8.

Transition

first round draft choice in 1988 and first- and second-round draft choices in 1999 from the Buffole 201s, who received the rights to tine-backer Cornellus Bennett from (indianopolis,

bocker Carnellus Bennett from Indianopolis, MIAMI—Activated John Offerdohl, Gesbocker? Resele Roby, punter, and Tom
Bröwn, fullback from Indused reserve.
NEW ENGLAND—Activated Reggle Dupard, running back from Indused reserve.
SAN FRANCISCO—Activated Jeff Bresel,
guard, from indused reserve. Placed Guy McIntyre, guard, on Indused reserve.
HOCKEY

Restleand Hockey League

EDMONTON—Recalled from McMurchy,
forward and Jim Wiener, defensemen from
Nova Scatta of the American Hockey League.
N.Y. RANGERS—Recalled Mike Donnelly,
left wing, from Colorado of the International left wing, from Colorado of the Intern Hockey Langue.
PHILADELPHIA—Signed Nick Foffe, left

NORTHEAST LOUISIANA—Announced that Kelvin Colfins, eword, has quit the busket-

that Kelvin Column, such actions and Kevin Dullion COUNTY IN...)—Named Kevin Dusgar basketboll cooch.
HULA BOWL—Named Mike White of Illinois the East coach; Terry Danahue, of UCLA the West coach; Alka Golffried, Pittsburgh, and Joe Maryton, South Carolina, East assistant coaches, and Bob Wagner, Hawall, and

Tennis

Women's Tournaments WIGHTMAN CUP
(At Williamsberg, Virginic)
(United Stokes S, Rritote 2)
First Rosed
Zing Garrison, U.S., def. Anne Hobbs.

oln, 7-5, 6-2.

Gipl Fernandez and Robin White, U.S., def. Sora Gomer and Clare Wood, Britisis, 6-4, 6-1. Third Round
Porn Shriver, U.S., def. Anne Hobbs, Britoin Jo Durie, Britain, def. Zing Gerrison, U.S., 7-JO Dayris; at House and Anne Hobbs, Britain, def. Zina Ja Durie and Anne Hobbs, Britain, def. Zina Garrison and Lori McNeil; U.S., 0-4, 6-4, 7-5.

(Af Zurich)
Querlar finals
Steffi Graf (1), West Germany, def.
(na Maleeva (5), Bulgaria, 4-2, 4-2.
Hama Mandilitova (2), Czechoslovai
Judith Wiesner, Austria, 6-3, 7-8.
Manusia Moleeva (3), Bulgaria, di fortia Resoi (7), Iruhy, 6-2, 4-4.
Nothelia Turrick Grace, def. (2) Nathelie Touziet, France, def. Christino Singer, West Germany, 7-5, 4-4. Semificals Graf del. Malerva, 6-4, 6-7 (6-8), 6-1. Mandilkova del. Tauziat, 6-), 3-4, 6-3. . Final

(Af Antwers, Selekan) Quarterfinals Ivon Leadi (1), Cachoslovakia def. Tim Mayotte, U.S. 6-2, 6-1, Pat Cash, Australia def. Wojtek Fibak, Paland, 44. 63, 64. Lendl det. Cash, 6-4, 7-4. Mecir det. Wilander, 6-1, 6-1. Fisel Lendi det. Macir, 57, 61, 64, 63,

Kenyan Ibrahim Hussein couldn't beat stakes horses in France, and scored his only victories when he shipped to West Wins New York Marathon

2:12:31.

The Associated Press

NEW YORK — A confident Ibrahim Hussein of Kenya caught pacesetter Pat Petersen abortly past the 14-mile (22.6-kilometer) point and coasted to victory in Sunday's 18th New York City Marathon.

Hussein, minth in the 1985 race in his marathon debut and fifth last year, was timed 2 hours, 11 minutes, 1 second.

Priscilla Welch of Britain led all utes, 1 second.

Priscilla Welch of Britain led all the way in easily winning the women's title in 2.30:16. Welch, who

will be 43 on Nov. 22, is the event's oldest women's winner, Mike Gor-man was 42 years, 75 days when she won for the second consecutive

won for the second consecutive time in 1977.

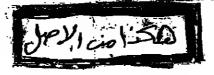
For Hussein, 29, a former Western Athletic Conference steeple chase champion at the Dancesty of New Mexico, it was his fifting marathon and third victory.

Prior to Sunday's race he stiddle felt relaxed and "very confident" as compared to last year when as compared to last year when as compared to last year when the ran "scared."

"I think you will see some sure prises." Hussein shad said. "Shink somebody will shall the race of force that some of the shall the race of force that some of the standard that somebody will shall the race of force that some of the same of the standard to such and shall shall the race of force that some of the same of the sa



100 MUCH — Marie Jonego of Cameroon cried out in pain Saturday after faltering at the women's world weight-lifting championships in Daytona Beach, Florida Jonego lost control of the 62.5 kilogram bar, which fell on her back.



PARIS — Something has gone wrong at the Pompidou center, as many visitors have observed and as Pootus Hulten, the first director of the center's museum, is among the first to admit. The crowds are still buge, the bustlers

trance are as intrusive as ever, the schedule of coming events as MARY BLUME

and jugglers in front of the en-

crammed. But after a brilliant and numultuous start 10 years ago, the center has settled into uneasy middle age compounded by staff resignations and sinking morale.

Hulten says it's hard to know exactly what has gone wrong or what should be done. "Frankly I cannot answer because I've been so depressed by the place that I haven't gone," he says. Hulten directed the museum from its inception until 1981 when he left to head the Los Angeles Museum of Contemporary Art. He has had two successors, both of whom have resigned. "It is as if the place had stopped," Hulten says.

Now there is every reason to hope that it will start up again. This Monday Hulten returns to the Pompidou center, appointed by the Ministry of Culture to a two-year tour as consultant not only on the museum but on all the center's activities. His small office is over a butcher shop in a building next to the center, a choice that is in many ways symbolic.

The office overlooks the Stra-rinsky fountain made by Jean Tinguely, Hulten's friend since they both came to Paris in the 1950s, and Niki de Saint Phalle. The butcher shop is there because from the start Hulten fought to have the center impinge as little as possible on neighborhood life. His office is not in the main building because he has long campaigned to have all offices moved out in order to provide more exhibition

space.
"I don't think the staff need seven-meter-high ceilings," he

Beaubourg, as the center is popularly known, was the last exam-ple of the 1960s idea of the museum as a cultural center. The recent decade has seen the museum as an object of display, civic, corporate and, above all, architectural (few



"I've been so depressed by the place that I haven't gone," says Pontus Hulten as he returns to the Pompidou center.

people talk about the inside of which is now reserved for histori-James Stirling's Stuttgart museum). What the coming decade will bring. Hulten says, depends on which city one is talking about.

There is no answer to the question of an ideal museum. Each city's oeeds are different and also it depends oo the existing institutions - you have to fit into what the city needs and wants and al-ready has."

Understandably reticent about specifics so early in the job Hulten has a general view of Beaubourg's function at the present time. I would like for museums to be more like reference places where you can check on what's hap-pened and what's going on. Exhibitions should coocentrate more on the cootemporary at Beau-bourg, rather than continue with the historical shows. A symbol of that would be that living artists very well whichever polis he hap-would show on the fifth floor, pens to find himself in. Widely

One of the best known figures one exhibition a year.

The Beaubourg effect has been

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At the beginning he had to fight criticism of the building's tinker toy architecture and the fact that the moseum's collection was sparse indeed. During his tenure the collection expanded splendidly but getting the French to accept

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votes if you support contempo-rary art. So what's happening in

While in Paris Hulten will over-see the final planning and open-ing in the fall of 1988, of the

The institute, which will be lo-

"I think we'll be able to get very good visiting professors because the chance to work with brilliant young people for two months is great even if it is also very tire-

some, which it may be," Hulten

Such institutions as Black Mountain College and Prince-ton's Institute of Advanced Study have provided inspiration, as has, inevitably, the Bauhaus.
"The Bauhaus is different,

though, because it was in a small city. Both Weimar and Dessau were rather tiny - it was similar to a regiment in a small city where the professors were the officers and the students the enlisted men.

"I think today it would be totally out of the question to try some-thing like the Banhaus. In Paris the great personalities will be there for a short time and you have to get the maximum out of that time. Buckminster Fuller al-ways started his lectures by saying. We will be together two or three hours, this is the unique chance that we have.' For me the concentration is important - if you have somebody who is an authority and you want to talk to him about what he knows best, why shouldn't it work?"

Hulten's first shows after Beanbourg's opening were what he lightly referred to as Ping-Pong blockbuster exhibitions such as Paris-New York and Paris-Berlin and Paris-Moscow that flattered France's image of itself as the birthplace of modern art and that by emphasizing the past glossed over the barren contemporary French art scene.

The beginning of the century had not been dealt with in a coherent way, and as much of what happened happened in Paris it was logical to bring these facts together and show how the begin-ning of the century was formed in a dialogue between Paris and other parts of the world," Hulten

He thinks that today the time for huge pedagogical shows is past although be is in favor of smaller ones. One of the first challenges will come in the form of a subject that is causing headaches right now in institutions throughout France: how to celebrate the bi-centennial of the French Revolu-"I think we should do a very

beautiful exhibition on a very in ternational subject and not try to make a commemoration," Hulten says. "It should be more like a gift than anything else."

LANGUAGE

Scabs, Ginks and Finks

By William Safire

WASHINGTON — "Seab Ball" was the label pinned on the professional football played by replacements or substitutes by such sportswriters as Tony Kornheiser of The Washington Post. The owners' use of scab labor — usually a union member's derogacion of an employee who works during a strike - prevailed, and the players' strike was broken.

The use of the word is intended to impute disgust. From the Old Norse, scab means "crust that forms over a wound or sore," and is akin to the Latin scabere, "to scratch." Although most lexicographers had long thought that the slang term was an Americanism, the Oxford English Dictionary's Supplement tracks the strike-related meaning to a British publica-tion, Bonner & Middleton's Bristol Journal in 1777, writing about a strike in a cordovan shoe factory:
"Matters are amicably settled. . . The Conflict would out been (sic) so sharp had not there

by the masters, till at last he is despised by both and deserted by all." Substitute players for journey-men, and owners for mosters, and you have a fairly current description of the fix some of the replacement players now find themselves

Other synonyms for strikebreak-

"Fink came into the language in 1902," says the lexicographer Stuart Berg Flexner, "probably as a clipping of Pinkerton, with the p changing to f in pronunciation." Allan Pinkertoo (General George B. McClellan's Civil War secretservice chief) founded a detective agency that later gained ill fame as an organization of strikebreakers hired in 1892 to fight the workers in the Homestead strike against Carnegie Steel. As the language scholar H.L. Mencken's American Mercury was the first to point oot, in 1926, the Pinkertoo agents were

which may have changed in a de

Random House unabridged dictionary speculates that, in German, Fink is the name of the bird we call the finch, and also refers colloquially to an undesirable person. In German compounds, the syllable is

evoke a song best known to labor skates: "Let us disturb the bottomline dispassion of this once-famous weekend to sing an old union song crying defiance of 'goons and ginks and company finks and deputy sheriffs that made the raids.' The tune is 'Redwing.' Ready?"

carnival usage.

ALTHOUGH seal's sleng meaning is limited to labor lingo, fink has broadened to include any dirty, low-down, miserable object of scorn. As early as 1903, the humorist George Ade was writing that "Anyone who goes against the Faculty single-handed is a Fink." In a piece on corporate ethics in last mooth's Business Month. Thomas J. Murray wrote: "It is no secret, for example, that most senior executives are contemptuous of whistle-blowers, labeling them 'snitches' and 'finks' and often demoting or firing them."

Fink is also a verb - "to inform temptible fink - although the current use of out as a verbifying phrase-maker has led to the expression to fink out. I would resist this latest nonce use, as it detracts from the power of the single-syllable der-

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on the international art scene on the international art scene ("He has an appallingly shiny rep-ntation," says a member of Brit-ain's backbiting art establish-ment) Hulten, 63, is a Swede wbo was the first director of Stock-holm's Moderna Museet and who had mounted shows at the Stedelijk in Amsterdam aod New York's Museum of Modern Art before being named director of the unbuilt Pompidou museum in 1973. He is at present head of the FIAT-backed Palazzo Grassi in Venice, a position be will retain since it involves organizing only

A genial man and an enthusias-tic sailor (he took his sailboat to Los Angeles and to Venice), Holten is an astute politician in the widest meaning of understanding

when he was appointed to Beaubourg. Hulten says with a smile that this turned out to be a great advantage.

"It certainly belped me io France in general is that museums and exhibition spaces around the country have changed their programs radically. Paris has become "It certainly belped me io

so to speak in one clan or anoth-

contemporary art was more diffi-cult. In the six years that be has been away, he thinks the situation has greatly changed.

in operation in the sense that politicians have understood on a very broad level that you don't lose a most active and adventurous site for contemporary art."

Institut des Hautes Etudes d'Arts Plastiques, the loog-delayed multi-discipline arts study section of the Pompidou center.

cated in a fine late-Gothic building on the Left Bank that served lately as a fire station, will enable a small multinational group of young artists to live and work with visiting professors.

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been so many dirty Scabs." 1 am unready to be sidetracked from fink. (Goon is a hired thug glisb Trade Unions" defined the perhaps derived from the 1580s Englisb Trade Unions" defined the term somewhat heatedly: "What is a scab? He is to his trade what a traitor is to his country. . . He first sells the journeymen, and is himself afterwards sold in his turn conym for "jerk," may come from carried users.

er include blackleg, jackleg, red ap-ple, scissorbill, rat and the ever-pop-ular fink.

then reviled by unionists as pinks.

Tops Calm R Or maybe not. Flexner's new used to impute untrustworthiness:
a Duckfink is a syrratem and
Schmie fink accuse i "hoppy withet." That's a less likely etymon than

the mispronounced Pinkerton (whose symbol, an open eye with the slogan "We never sleep" under it, gave us the expression private

My colleague in columny, Russell Baker, nobody's Schmierfink, was moved before Labor Day to

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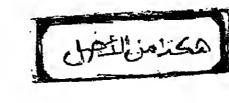
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